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Daily Report

Supplement

Central Eurasia

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***Kozyrev 23 Apr Speech to Trilateral Commission in Copenhagen**

954Q0245A Moscow *DIPLOMATICHESKIY VESTNIK* in Russian May 95

No 5, [Signed to press 25 May 95] pp 27-30

[Abridged text of speech by Russian Foreign Minister Andrey Kozyrev to the Trilateral Commission in Copenhagen on 23 April 1995]

[FBIS Translated Text] Esteemed Mr. Chairman, esteemed cochairmen of the Commission, esteemed Mr. Petersen, ladies and gentlemen, I am grateful for the invitation to speak at the meeting of the Trilateral Commission. Long friendship or close professional cooperation links me with many of those present here. This applies to the authors of the report "Involvement of Russia" under consideration today. In my opinion, in it Ambassador Braithwaite was able to incorporate two of his talents that have made him a brilliant diplomat—profound knowledge of Russia and along with that in-depth knowledge of the strengths and weaknesses of its preception by the West. And in my opinion, Ambassador Blackwell brought to the report his characteristic striving for strategic thinking.

Traditionally the Trilateral Commission has been distinguished by the ability to foresee fundamental turning points in the development of the international system and to propose an effective strategy for action. I think that today the community of democratic states to which Russia also now belongs has an equally great need for a new approach to international problems. This becomes particularly obvious when one compares two epochs in the postwar development: the rise of the bipolar world in 1945-1949 and the formation of postconfrontational world in 1991-1995.

The foundation for a new international system was laid just four years after the end of World War II. The United Nations was established and when the Western world became convinced of its poor effectiveness under the conditions of opposition to communist totalitarianism, effective strategic answers to key problems and the resources for their realization were quickly found. NATO was established and the Marshall Plan was operating. But the main thing is that the Western leaders of that time did not fall victim to the temptation to "save on threads," understanding that there is no such thing as cheap security.

Unfortunately, the beginning of the new postconfrontational period of world development was not accompanied by ideas of comparable scope. We contented ourselves with a system of institutes created in a different situation and for other purposes. Four years have already

passed since the crash of the communist regimes in Russia and Eastern Europe but the leaders of the democratic states of the East and West are forced to improvise and to react to more and more new crises. And this is far from being a safe thing.

Even talented improvisation will inevitably bear the stamp of oversimplification and the excessive influence of the domestic and international situation. It produces the effect of surprise for surrounding [countries], which in turn forces them to act intuitively. This is the best situation for collisions with unpredictable consequences. The actions of NATO at the time of the Sarayev crisis in February 1994 were a classical case of this kind.

I think that the Trilateral Commission could help significantly in the development of a concept for the relations of democratic states that in practice embodies the principle "without a veto and surprises." Here it is also necessary to consider the long-term strategic interests in the formation of a mutually dependent world and the subtle material of the psychology of international politics. I will single out what in my view are the main directions of such work:

The concept of partnership and its mechanisms. It would seem that the main achievements of the policy of the partnership of Russia with the West and with its neighbors are apparent: the conclusion of such truly major agreements as START-2 and on the mutual detargeting of missiles, the withdrawal of Soviet forces from central Europe and the Baltic countries, and the establishment of the Commonwealth of Independent States. I am certain that historians will use precisely these landmarks to measure the curricula vitae of the leaders of the partnership between Russia and the West, including Boris Yeltsin.

Thus, the "involvement" of Russia is to a large extent already becoming a reality but not, of course, in the role of a supernumerary but rather as an equal partner. And included here is the basic conceptual problem of the partnership: how to organize international strategy not against Russia, as was the case during the "cold war," and not without Russia, as they sometimes try to do now, but together with Russia.

One of the successful solutions of this problem was the conversion of the "big seven," at the source of which stood the Trilateral Commission, into the "eight," beginning with the political sphere. Now, in connection with the impending meeting in Halifax, we are coming to the next stage, that of a closer involvement of Russia in the discussion of global economic problems. I think that this time as well the Trilateral Commission could make a creative contribution to the development of the interaction of the countries of the "eight" in this sphere.

Unfortunately, such an approach is by no means manifested in everything. Until now a kind of "simplification reflex" is apparent in the West: if the interests of Russia and the West coincide in something, then we see a new and democratic country; if Russia does not agree with something and tries to defend its own interests, then this is a "belch" of the old order and a concession to nationalists and so on. By the way, the position of our nationalists is the mirror image of this approach: if the West agrees with Russia, this is an indication of our strength; if not, it is a manifestation of imperialism or Russophobia.

The result is that we sometimes encounter a double standard: Western partners call on us to make concessions in different international questions in consideration of the opinion of parliament or the public in some country or other but when Russian reformers have the same problem, it is most often ignored.

Meanwhile, we both have essentially the same problem. In Russia and in the West, because of corporative interests or old fears and suspicion, part of the society is slow to get used to partnership relations or is intimidated by the difficulties of establishing them.

This is very apparent in the example of peacekeeping and interaction in the scope of the United Nations. Not only Western but also our own domestic isolationists are calling for cuts in UN financing, for rejection of Russian participation in peacekeeping operations, and for unilateral withdrawal from sanctions against Yugoslavia, Iraq, and Libya.

I will say frankly that the Russian leadership is also not thrilled about many of the sanctions. But we cannot allow ourselves to rescind them unilaterally, even though every dollar is important for our budget at this time. Even at the height of the "cold war," none of the great powers, including the Soviet Union, unilaterally violated sanctions introduced by the UN Security Council. Politicians on both sides of the "iron curtain" understood that a violation of decisions by the UN Security Council would undermine the entire international system.

Unfortunately, some politicians have lost or are losing this sense of responsibility and interdependence. As a result, acute international problems remain without an answer or this answer is sought in the old textbooks. Precisely this is the reason why partnership—on the principles of which we relatively quickly agreed—sometimes does not work or is delayed.

The second direction of strategic interaction is the **development of a strategy to promote Russian reforms**. Here there is a problem of the linkage between promises

and the real possibilities and especially of the psychological impact of these promises on the Russian public. This problem is not academic but quite practical.

So many words have been spoken about the need for large-scale assistance to the economic reforms in Russia and the countries of the CIS! Initially they gave rise to the most optimistic and, I would say, romantic attitude toward the West in the Russian society. Actually there was much more talk about help than there was help itself. The result was that it was not so much the reforms that suffered as the position of those forces in Russia that see the Western democracies as kindred spirits and that are resisting the pressure of ultranationalistic and imperial forces. I will go beyond that and say that here is if not the main reason than at least one of the reasons for the appearance of personalities of the Zhirinovskiy type on the political scene in Russia. They rose precisely on the wave of the disappointment in part of the society with the results of partnership with the West and now they themselves are scaring the West.

Meanwhile, the results of the last four years in the development of the situation in Russia speak for themselves. Yes, there were critical and even tragic moments when it really did seem that the reforms were threatened. Still, it is necessary to differentiate between the main thing and what is secondary. And the main thing as applied to, let us say, the economic sphere is the real and apparently already irreversible transition of Russia to the course of the market economy. It is sufficient to say that the share of the nonstate sector in the economy of Russia is now 62 percent—more than in Italy.

In the political sphere, the main thing is a working democratic constitution and a working system for the separation of powers. It is the adherence of the country's leadership to the principle of free multiparty elections. The president of Russia unequivocally confirmed the holding of parliamentary elections in 1995 and presidential elections in 1996.

Finally, possibly the most important thing is the existence of an open society in Russia that is going through a very complex stage of transformation under the conditions of political freedom. Even a tragedy like the crisis in Chechnya could not change this reality. Whatever has been said about this theme here and in the West, one fact is indisputable. In the face of a direct challenge to the unity and integrity of Russia, the authorities have not curtailed democracy, have maintained openness of information, and have shown patience and respect for public opinion, even if it largely disapproves of their actions.

But Western politicians frequently lose sight of precisely these key elements of the new Russian reality.

There are regularly new feverish attempts to find a "democratic alternative" to the current president of Russia after each turnabout in Russian domestic policy. I am not saying that the attempts of the West to "suggest" a "good" candidacy to the Russian voter only produce an allergic reaction in him. Even without this, the present political system in Russia makes the merits and shortcomings of each of the candidates sufficiently clear and transparent.

To the honor of the authors of the report, they do not see the situation in Russia black and white but in a rather broad historical perspective. It is good if such an approach does not remain the destiny of just the intellectual elite but also takes hold in the practical policy of the countries whose representatives belong to the Trilateral Commission.

Still another major theme for our joint consideration is the search for **effective answers of the international community to the qualitatively changed problem of the protection of human rights and national minorities.**

The collapse of the communist regimes removed the "classical" problem for the 20th century of the suppression of personal rights by a totalitarian state. But it was replaced by another problem: the rights of national and linguistic minorities are grossly infringed upon in many postcommunist states.

We favor the establishment of effective international legal mechanisms for the resolution of these problems at the level of the United Nations and OSCE. But in situations in which the lives of Russian citizens are threatened, we may be forced to apply the entire arsenal of means available to us to save them, including military force. My recent statement on this subject was perceived almost as a sensation, as another manifestation of Russian neoimperialism. Meanwhile, our position is faultless from the point of view of international law and the practice of other states such as France and Belgium, for example. After all, no one thought of accusing them of "neocolonialism" after the brilliant military operation to save the lives of their citizens in Zaire.

Nevertheless the chief way to protect human rights and the rights of national minorities is through international legal obligations. And here the experts of the Trilateral Commission could help the United Nations, the OSCE, and the European Council in the establishment of a network of effective legal guarantees.

The next major problem that requires our joint consideration is the **philosophy of international security in a new era.**

Possibly nowhere is the need for its establishment felt as acutely as it is here in Europe. The threat of a strike by Soviet tanks has long since been replaced by dangers and risks of "civilian" origin. But this does not mean that they have become secondary. Rather to the contrary: whereas for the majority of the Danes, say, the Soviet military threat was only a hypothesis, today's security problems are literally waiting for the Europeans to encounter them. They include uncontrolled migration, ethnic conflicts, international crime and money laundering, and the ecological crisis.

In my view, the primary source of most of the security threats to Europe at the beginning of the 21st century is the risk of socioeconomic instability and a worsening of the technological inequality between different regions of Europe. Hence the increased mood of xenophobia and aggressive nationalism in the East and West. This intensifies the causes of ethnic conflicts and increases the probability of a new split in the continent.

The discrepancy between the logic of the disarmament agreements of the bloc period and the realities of postconfrontational Europe is becoming more and more obvious. This threatens to give the people in a number of states, primarily in Russia, a feeling of "second-class security."

Finally, in today's Europe, the mechanisms for consultation and coordination of actions between states and also individual European structures are clearly weak. There are no legally binding norms for the joint management of security in the event that crises arise. This rupture of the legal and political security space in Europe threatens to give entire nations a feeling of political and psychological isolation and unequal status.

Until now we have not been able to find an answer to these challenges. There are some exceptions such as, for example, the notable improvement in the work of the YeBBR and the signing of the Stability Pact. Unfortunately, however, they are not yet having any affect in Europe. Only with great effort was it possible to begin the modernization of the OSCE. But we ran into a paradox here as well: Russia, which was the primary initiator of this renewal, had to convince many Western partners that this was necessary.

The plans to expand NATO are an example of how they are trying to resolve the problems of postconfrontational Europe under the old pattern.

Why are we talking about this? For us the problem is not that we are experiencing any hostility toward NATO but that for a significant share of Russians the North Atlantic alliance is still a foreign organization. It was created under the conditions of the "cold war" to deter

the opposing bloc. But this bloc no longer exists. Under these conditions, it is incomprehensible what threat the expanded NATO intends to protect itself against. If it is against Russia, then the danger arises that this will lead to a new schism and dividing lines in Europe. If the new problems of European security are meant, then why not try to resolve them together with Russia?

This is why we think that the best solution would be a more or less lengthy period of partnership between Russia and NATO. Mutual alienation would finally be overcome in the course of this period and—the main thing—together we could determine how the new system of security in Europe will look and what place NATO will take in it. It is not ruled out that at the end of this period Russia itself would join NATO. We talked about such a possibility four years ago as a long-term goal.

The "Partnership for Peace" program was conceived for such a transition stage. Russia and NATO spent a year on its elaboration. And we are still interested in its realization. We considered that it will play the role of a strategic bolt linking the members of the alliance and Russia—a world, European, and nuclear power. In December of last year, however, our partners made an abrupt move in the other direction. The concept of the expansion of the zone of the partnership was displaced by the idea of the rapid expansion of NATO itself.

As a result, many European politicians found themselves in a situation similar to a journey in the mountains. Nothing has been resolved as yet and we are still only in discussion but from the shaking of the air the "stones" of the consequences are already falling on our heads. One of these "stones" is the fact that the plans for the expansion of NATO are already providing arguments to those forces in Russia that not only oppose partnership with NATO but also partnership in general.

I think that this is the right time to look once again at the priorities of European policy. Is it not better to put the "hot" subject of the expansion of NATO into the cooler for a while and to concentrate on the development of partnership in the scope of the SSAS and on a bilateral basis? Is it not possible that within a year or two the real fruits of such a partnership will outweigh the imagined benefits of an expansion of NATO in the East?

We are convinced that the solution should be sought in the establishment of a new model for comprehensive European security in the 21st century, on which agreement was achieved at the Budapest summit of the OSCE. Discussion of this problem has already begun in the framework of the OSCE. I do not claim to have any ready formulas for its resolution. Beyond that, I am convinced that it can be resolved only in stages, through

the efforts of more than one generation of Europeans. But the principles that we must apply to work out a common approach already appear obvious:

First, the security of the new democratic Europe can only be mutual and comprehensive.

Second, the security of citizens is the heart of the new European security. This optics forces one to take a new look at the specific risks and threats that our peoples are facing.

Third, the unity of democratic Europe means the indivisibility of the security of the European peoples. Not a single state has the right to strengthen its security to the detriment of the security of others.

Fourth, partnership in the new Europe must mean that the efforts of states and multilateral institutes in the building of mutual security are complementary. The OSCE and NATO, the European Union, the CIS, and numerous regional organizations are not competitors and certainly are not mutually exclusive variables of European policy but are important factors in the formation of a truly mutual system of security and cooperation.

It is now fashionable in NATO to discuss questions beginning with "how" and "why." We, in turn, have proposed our own version of the questions "how" and "why" for discussion precisely in a common European framework with the participation of all members of the OSCE.

How can one create effective mechanisms to consider the interests of all member states of the OSCE? This may be a system of binding consultation and participation of regional organizations in the making of decisions.

In what specific forms should the principle of interdependence of the democratic states of the East and West be embodied? Possible variants are a Euroatlantic or Eurasian treaty or a charter of cooperation.

How can one establish an optimum relationship between global, regional, and subregional approaches to the resolution of European problems? And speaking in practical terms, what might be the specific ways to bring together such processes as integration in the scope of the EU and CIS, the transformation of NATO, and the strengthening and refinement of the role of the OSCE?

How can the existing treaty base for military security be adapted and supplemented to apply to the new Europe? In particular, it may be a matter of working out a new OSCE-2 agreement, say, that is free from bloc orientations.

How can one accelerate the economic development of Eastern Europe and at the same time establish more favorable conditions for general European development? One of the possible ways is the realization of projects for the infrastructure of the European economy in the 21st century, projects such as the establishment of new high-capacity unified systems for the power supply, telecommunications, and transportation.

I think that the Trilateral Commission could dedicate one of its reports to the search for answers to these and similar "hows" and "whys."

Mister chairman, ladies and gentlemen, within a few days the world will mark the 50th anniversary of the Great Victory over the forces of totalitarianism in 1945. With the background of this date, all petty matters lose significance. Remaining are the main landmarks that actually determine the face of the world at the end of the century. I think that our actions must also be made commensurate precisely with these historical landmarks and not with the fleeting changes in the political situation. Seeing the perspective will allow us to understand each other better and to realize the common nature of our fundamental interests and thus to begin to develop a strategy for partnership in the 21st century. I would like for the members of the Trilateral Commission and its experts to make their own contribution to this work. The report that we are discussing today is not the end of this work and not even the beginning of the end. This, in the words of Winston Churchill, is only the end of the beginning.

***Council of Europe Officials on Russian Membership Prospects**

954Q0258A Moscow ROSSIYSKIYE VESTI
in Russian 12 Jul 95 p 3

[Interviews with Daniel Tarshis, secretary general of the Council of Europe Committee of Ministers; Miguel Martinez, president of the Council of Europe Parliamentary Assembly; and Jack Henning, head of the Council of Europe press service, conducted by ROSSIYSKIYE VESTI correspondent Yuriy Popov: "Russia Intends To Join the Council of Europe; What They Think About This in the CE"]

[FBIS Translated Text]

[Begin boxed material]

The concluding portion of the regular session of the Parliamentary Assembly of the Council of Europe was recently held in Strassburg. Russia did not participate in its work as a full-fledged member, but continued to be listed as a specially invited guest. Nevertheless, the Russian topic was present in practically all the

meetings in one form or another. The moratorium on the procedure of its acceptance in connection with the Chechen events still remains in effect. The report by the delegation from the Parliamentary Assembly of the Council of Europe (PACE) poured oil into the fire. This subcommittee had spent a week studying the situation in Chechnya and its adjoining republics. The picture presented in the report was unfavorable to Russia, and the matter is not saved by a notation given at the end that the situation in the region had changed since the time of preparation of the document, referring to the talks in Grozny.

Thus, Russia's entry into the Council of Europe is being put off for a more or less lengthy time. On the whole, the attitude toward us in the Council is favorable. At the same time, from the lobby discussions of the Council and certain statements made at the session, it is clear that there are forces in Europe which do not want to see our country among the full-fledged members of the CE [Council of Europe]. Our correspondent, Yuriy Popov, appealed in this connection to the general secretary of the CE Committee of Ministers, Daniel Tarshis, to the president of the CE Parliamentary Assembly, Miguel Martinez, as well as to the head of the council's press service, Jack Henning, with a request that they express their opinions on the possibility of Russia's acceptance for membership in the Council, and when this may occur. Their responses to the questions posed by our editors are given below.

[End boxed material] Daniel Tarshis: WE NEED EACH OTHER

I hope that very soon it will become possible to renew the proceedings on acceptance of Russia into the Council. On the whole, the situation and conditions for this are favorable. However, much will depend on Russia itself. You know that the work with the Russian application, which was received in 1992, was proceeding very well until the Chechen crisis. We made successful contacts with your departments and with the authorities in general. Chechnya seriously hindered the development of this process, since human rights were violated. Therefore, the Parliamentary Assembly decided to halt work on the Russian application.

The main obstacle is Chechnya, but there are also other obstacles, which are well known. Everyone knows that you have your problems—old, historical ones, as well as new ones. And it is impossible to solve all of them at once. But it is necessary to start somewhere, and also to consistently continue the reforms and to bring Russian legislation closer to European standards. This process must develop firmly and decisively.

We are happy to help Russia in implementing this process and are today continuing cooperation with it: Holding seminars, symposia, meetings, etc. Such forms of contact are being successfully implemented. I believe that we may further expand and develop such interaction between Russia and the Council of Europe. I am an avid supporter of Russia's joining the Council of Europe, and I agree that we need each other. It is unlikely that such a formulation of the question would be correct: Does Russia need Europe, and Europe Russia? Your country is an integral part of the European continent. It is already a part of Europe. These are not two different concepts, but an integral whole. Therefore, your country must enter the CE. **Miguel Martinez: MY GOAL IS TO REMOVE THE PROHIBITION ON ACCEPTANCE**

[Correspondent] Mr. Martinez, in your opinion in general, should Russia become a member of the Council of Europe, and can it do so?

[Martinez] It seems to me that this is a very interesting question. Russia is a huge country spanning two continents, and for a Russian it is quite regular and natural to ask such a question. After all, we are speaking about joining together with other states, entering into close cooperation with them. I would even say, for the purpose of going toward future unification with them.

And, surely, we may understand the citizen of Russia who asks whether it is necessary to join the Council of Europe. Your state is so large in itself and plays such an important role in the world that it can live without the other European partners in the world community. For small states such an alternative is impossible. And if I were a Russian, I might ask: What suits me more, to live in this world seemingly alone, cooperating, of course, with other countries and remaining a friend of Europe, or to enter into an association of states and become a partner in their family? At the same time, each of them has achieved the highest level of freedom and prosperity, social protection, culture and economics in the world. And nevertheless, they want to and are ready to work together with Russia.

In other words, should I get married or remain a friend? It is difficult for me to answer this question for the Russian citizen. If he says to me that he wants to remain a friend, I do not see anything bad, unworthy or impossible in this. But if I were a Russian citizen, I would say without hesitation: "Yes, I want to get married. I will feel very good in this marriage."

However, in order to enter the family of closely cooperating members of the Council of Europe, the new member must fulfill certain important conditions. They are well known: Freedom, pluralism, democracy,

and respect for human rights. It seems to me that the overwhelming majority of Russia's population has already selected these conditions of life for itself, regardless of whether or not it will join us or remain outside the CE. Russians want to live in a free society, under conditions of pluralism and social justice, and to respect human rights.

Therefore, in my opinion, integration into Europe does not mean that the Russian citizen must opt to make any concessions, since he himself, in accordance with his dignity and quite voluntarily and independently, has defined these conditions for his future. From here it is understandable that the Council of Europe asks from Russia that it fulfill that which its citizens elected for themselves as invariable attributes of their society. Thus, the Russian citizen will never have the impression that someone is imposing democracy and freedom upon him. There is no external pressure. These values were approved and chosen by the people of Russia themselves.

We must remember that the conditions which the CE sets forth are the same for all who join the Council.

[Correspondent] But nevertheless, do you not agree with the fact that Europe cannot get along without Russia, but Russia can get along without Europe?

[Martinez] I believe that to remain outside of Europe is less beneficial for Russia than to enter into it. However, I am ready to respect any decision which your country will make. At the same time, according to my conviction, what you say is no more than a pretty poetic image, and I like poetry. But, as I said, Russia is capable of living without Europe, although much worse than it would if it were together with it. Europe too will be able to live without Russia, but also worse than it would together with it.

I believe that the problem lies elsewhere. Today, generally speaking, no one can live alone, isolating himself from everyone else, since all of us live in a deeply interrelated world in which information is disseminated via satellite, television programs are viewed by people all over the world in each home, and any one of us can know what is going on tens of thousands of kilometers away.

I am convinced that Russia is fated to live with Europe in any case. The question is, what kind of life will this be? As a partner or as an organic part of it? By its geographic position, history, culture and importance and place in the international position, Russia has the possibility of choosing. It seems to me that it is better for it to become a part of Europe.

Another question: Can Europe live without Russia? As in your country, so also in Europe, there are people, forces, which answer this question differently. I am the president of the Parliamentary Assembly, in whose work 35 large and small countries and representatives of the most varied currents participate—from Stalinism to far-right extremism, i.e., all colors and shadings, the broadest possible spectrum.

The fact that Russia is joining the Council of Europe is a revolution in the very European conception which reigned supreme here for many years. And there are many people who are unable to accept and comprehend such a revolutionary change. I would say that no old, reactionary, or more precisely, conservative thinking is capable of this.

At the same time, all those who think in a new and dynamic way, with imagination, among whom I classify myself, have a desire to hand over to the hundreds of millions of men and women our brotherhood, democratic standards of behavior and freedom which they did not know before, to become kin with the peoples who have a rich history, culture and powerful economic potential. So that this is a marriage of love and at the same time of interest, as well as one which brings progress in the sphere of security.

And so, in Europe there are those who say "yes" to this, as well as those who say "no." I know that some Europeans think that Russia is an irreconcilable enemy, and that confrontation with it is inevitable. There are some who think this way in Russia about Europe. Many of my colleagues adhere to the line which I hold, of an entirely different plane: Not only is confrontation not insurmountable, but moreover, we must make cooperation with Russia insurmountable. We have been courting for a long time, I would say for a very long time. And it is time to regulate that little which is left to do to consummate the marriage. In life, of course, there are also divorces. But I am convinced that, in any case, we should conclude our union.

It is true, and you know this, there are some people who experience fear before the prospect of marrying a woman who is very big and large. But, I must admit to you secretly, I have always liked big and tall women. I do not experience any sense of fear before them.

In my conviction, those who say "yes" to Russia in Europe should unite, as well as those in Russia who say "yes" to Europe. I would want both to swear an oath to each other in the manner of the 19th century, so as to become a barrier in the path of the reactionary anti-

European forces in Russia and the anti-Russian forces in Europe. I am not surprised when the actions of these forces coincide. This is logical. It is something else which is remarkable: The most anti-Russian forces of Europe and ultra-nationalist forces of Russia are acting in a united front in order to hinder its entry into the family of European peoples. I believe that we will be able to overcome them.

[Correspondent] And what can you say about the approximate times for acceptance of Russia into the CE?

[Martinez] I do not want to outline a calendar of dates, because there is always the possibility of error. My intentions include seeing your country in the Council even before the end of my presidency in the Parliamentary Assembly, which expires this year. However, it seems to me, this, unfortunately, will not happen. Now my desire is more humble, and I believe that I will be able to implement it: To remove the prohibition on acceptance of Russia into the Council of Europe. For this, I spare no effort or energy.

Recently, we were visited by Chancellor Helmut Kohl, with whom our views on the problem coincide. He said that in September, at the next session of the Parliamentary Assembly, he will defend this common position of ours. For my part, I will use all the instruments and arguments which I have at my disposal. If we are successful in repealing the prohibition in the Fall, the proceedings of Russia's acceptance into the Council will immediately be renewed, and in a few months it may become a member. **Jack Henning: WE ARE WAITING FOR YOU TO ENTER OUR HOUSE**

I also believe that Russia must enter the Council of Europe. A democratic Russia, which respects human rights. We are all waiting for that moment.

When I speak of this, I am referring to the fact that the desire of the Council of Europe is to unite all democratic countries of the continent. And Russia is a European country. And it seems to me that all of us in the Council of Europe await that day when democratic Russia will be able to enter our house.

It is difficult to answer the question about when this event will occur. And, perhaps, we should seek the answer not here, in Strassburg, but rather in Moscow. And, I repeat, we are impatiently awaiting the moment when we will be able to accept it here. As soon as the problems which you are aware of are resolved in your country, it will receive a worthy greeting in the Council of Europe.

MFA Conference on Ethnic Russians Outside Russia*Summary of Proceedings**

954Q0244A Moscow DIPLOMATICHESKIY VESTNIK
in Russian May 95
No 5, [Signed to press 25 May 95] p 52

[Unattributed article: "Russia and Compatriots Abroad: Session of the Russian Federation Ministry of Foreign Affairs Foreign Policy Council on Problems Facing Russian-Speaking Populations in the CIS and Baltic Countries and Russia's Role in Solving Them"]

[FBIS Translated Text] A regular session of the Russian Federation Ministry of Foreign Affairs Foreign Policy Council was held on 18 April under the chairmanship of Russian Federation Deputy Minister of Foreign Affairs A.N. Panov on the topic, "Problems Facing Russian-Speaking Populations in the CIS and Baltic Countries and Russia's Role in Solving Them." Russian Foreign Minister A.V. Kozyrev addressed the session. Deputies to the Federal Assembly took part in the Council's work, as did the chairman of the Russian Federation Government's Commission on Citizenship, prominent political scientists, members of the clergy and business circles, leading journalists, and diplomats.

In his speech, A.V. Kozyrev stressed that concern for the rights and well-being of fellow citizens and compatriots in the "near abroad" truly constitute a Russian national interest that reflects the aspirations of all strata of society. This problem is too important to be held hostage to the fight for votes in the upcoming parliamentary and presidential elections.

The minister said the main task is the need to effectively implement the Russian presidential edict "On Basic Elements of Russian Federation State Policy With Respect to Compatriots Living Abroad" and the government decree "On Measures to Support Compatriots Abroad." These documents, drawn up on the initiative of the Foreign Ministry, establish the overall state foundation for the work of federal agencies and public associations in the interests of Russians living in the "near abroad."

It was pointed out during the session that efforts to ensure the rights of compatriots in the CIS and Baltic problems have achieved significant progress. The CIS states signed a convention on protecting the rights of individuals belonging to national minorities on 21 October 1994. Its provisions were incorporated in a number of treaties concluded between Russia and its Commonwealth partners, in particular the Russian-Kazakh treaty on the legal status of citizens of the two countries living in Kazakhstan and Russia. There has been real movement toward a "commonwealth of

regions"—i.e., toward the development of direct links between neighboring oblasts of Russia and Belorussia, Ukraine, and Kazakhstan. This is also helping to solve day-to-day problems facing compatriots residing in those oblasts.

Nevertheless, the urgency of the problem of respecting the rights of the Russian-speaking minorities in a number of CIS and Baltic countries is not abating. The continuing migration to Russia attests to this.

In their presentations, parliamentarians, scholars, and officials of executive government bodies put forward concrete proposals for strengthening legal protection for compatriots, improving coordination of the efforts of all departments involved in assisting them (there are more than 10 such departments), and promoting cooperation between the Russian business world and associations of Russians abroad. These proposals will be analyzed by Foreign Ministry experts and taken into account in the work under way in this area, which the country's leadership regards as a foreign policy priority.

Published below are the speeches by A.V. Kozyrev and A.M. Vasilyev (director of the Russian Academy of Sciences' Africa Institute), A.V. Kozyrev's response to A.M. Vasilyev's remarks, and a speech by K.F. Zatulin (chairman of the Committee for CIS Affairs and Relations With Compatriots of the Russian Federal Assembly State Duma).

The presentations of a number of other participants in the discussion will be published in the journal's next issue.

Kozyrev Speech

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[Kozyrev speech: "Speech by A.V. Kozyrev"]

[FBIS Translated Text] First of all, I would like to thank all those in attendance for taking part in the Council's session. Today's topic is indeed an extremely important element of our policy. Support for Russian citizens and compatriots living in the "near abroad" is a state policy issue that reflects the interests of society as a whole. The truly national Russian character of this interest is also indicated by the very makeup of the participants in our meeting today—from deputies to the Duma to representatives of the Russian Orthodox Church.

I would hope that our meeting will not be viewed from the standpoint of the election campaign that is already getting under way and that our debate on the problem of Russian-speaking populations will not become a

subject of the political struggle and of attempts to score campaign points. This is too sensitive a topic and one that is best excluded from political discussions on the eve of the elections.

Unfortunately, attempts to exploit this topic are already taking place. Slogans demanding that we stand up for our compatriots' rights through diktat and threats against our neighbors and even by redrawing the borders of adjacent states are getting louder and louder, as are importunate voices of loyalty to the Russian people, accompanied by calls for a "march on the south." Ignoring the lessons of the history of the 20th century, fresh attempts are being made to declare a given people—whichever one the finger points to—a select people. In fact, however, such peoples are essentially being chosen only in order to be sacrificed to political ambition. The reverse side of the coin is disdain for other peoples, be they Kazakhs, Uzbeks, or so-called (in bureaucratic jargon) "persons of Jewish or Caucasian nationality." Such attempts at exploitation, the nationalist intoxication surrounding this issue, and the importunate concern for Russians, resulting in the worst Russophobia, are a direct path to Russia's isolation, if not to a Yugoslav scenario on the territory of the former Soviet Union. True concern for Russian compatriots abroad, be they ethnic Russians or people of other nationalities (and there are 120 nationalities in Russia), has nothing in common with either hysterics at parliamentary microphones or desecration of the flags of foreign, much less, fraternal, states. What is needed is daily efforts to solve the concrete problems that confront us in connection with our fellow citizens and compatriots in the "near abroad." Such efforts, of course, bring fewer political laurels, but it is this painstaking labor, to which the president calls us, that can truly benefit the Russian-speaking populations and you and me.

A firm and truly state foundation for this labor was laid by the Russian presidential edict "On Basic Elements of Russian Federation State Policy With Respect to Compatriots Living Abroad" and the government decree "On Measures To Support Compatriots Abroad." The Foreign Ministry is proud of the fact that it initiated the formulation of these two documents in conjunction with the relevant parliament committees and the President's (and, at the time, the parliament's) human rights ombudsman. Now the task is to implement these documents. In doing so, we can build on certain accomplishments in 1994.

First, on our initiative the CIS chiefs of state signed a CIS convention on ensuring the rights of persons belonging to national minorities in October of last year. Specific provisions on the parties' reciprocal

obligations in this sphere were also incorporated in Russia's treaties of friendship and cooperation with a number of Commonwealth countries.

Second, in our bilateral relations with the CIS and Baltic countries we are working hard to form a legal, treaty-based foundation to safeguard the rights of national minorities. I would like to single out a kind of model in this regard—the Russian-Kazakh treaty on the legal status of citizens of the two countries residing in Kazakhstan and Russia.

Another major step forward was the entry into force of five consular conventions that Russia concluded with Ukraine, Georgia, Armenia, Lithuania, and Estonia. This greatly expands the potential for providing consular protection for the interests of Russian citizens in all of these countries. One should also give high marks to the prompt action taken by deputies to the State Duma, who ratified these documents, which are important to our fellow citizens in the "near abroad," without delay.

Third, the Foreign Ministry is promoting the development of direct links between Russian regions and neighboring oblasts of Belorussia, Ukraine, and Kazakhstan. In the process, we are actively cooperating with the parliament. Interregional cooperation, or a "commonwealth of regions," could become one of the most effective ways of providing direct support to our compatriots. This approach makes it possible not only to avoid unnecessary politicization and nationalization of such ties, but also to put them on the level of direct contacts. Incidentally, at this level, given direct contact between officials of such regions, it is far easier to discuss issues of concern to Russian-speaking populations and to do so in a concrete fashion. I am convinced that the nascent creation of a "commonwealth of regions" will also accelerate the establishment of a genuine commonwealth of peoples in the CIS space. In such a commonwealth it will also be easier to deal with issues of protecting the rights of national minorities.

However, it must be admitted frankly that in many Commonwealth countries, the situation with respect to the rights of persons belonging to national and linguistic minorities, including Russian-speaking minorities, remains unsatisfactory. The most tangible proof of this is the unending stream of immigrants to Russia. Last year 254,400 people were forced to move to Russia from other Commonwealth countries, above all Kazakhstan, Uzbekistan, Kirgizia, and Tajikistan.

A paradoxical situation has emerged. On the one hand, there is an abundance of declarations by leaders of the CIS states in defense of the rights of national minorities and a large number of documents signed by them. On the other hand, there is the persisting, and in some areas

increasingly acute, problem of respecting these rights in practice. We are also concerned by delays in drafting a convention on human rights within the CIS. A number of our partners groundlessly fear that the provisions of such a convention will infringe on their sovereignty. Yet the question is one of creating an effective means of solving humanitarian problems in the Commonwealth, something that will only benefit the sovereignty of its members. As CIS chairman in 1995, Russia will seek to finish work on this document, which is important not to us alone.

What accounts for the difficulties that our compatriots encounter in the "near abroad"? One of the main causes is the limited use of the Russian language and narrowing opportunities for the Russian-speaking population to hold executive positions in the state apparatus and in production. The situation of national minorities, including Russian minorities, is further compounded by nationalism at the level of day-to-day life. The question arises of not only "systemic" protection, for example, in the question of the use of the Russian language, but also of "pinpoint" protection for the rights of specific individuals. This is another aspect that we sometimes fail to take into account and in which, of course, we would like to see broader parliamentary ties and active efforts by entrepreneurial structures and public associations. In other words, in addition to general declarations, it would be useful to have "pinpoint" support, notably for persons of advanced age and for those who are experiencing difficulties in social adaptation. This is an area in which little is being done as yet and in which the state is hardly able to fill the existing gap.

All this compels us to come to the defense of the rights of not only national minorities as a whole, but also of specific members of Russian-speaking populations in the "near abroad." This is delicate and very labor-intensive work that our diplomats must perform on a daily basis.

Let me take this opportunity to thank the employees of the Russian embassies and consulates in the CIS and Baltic countries. They have had to shoulder a burden unprecedented not only in our own practice, but also, no doubt, in international practice. Between 1,500 and 2,000 people visit consular departments and consulates general in these countries every day. Last year alone our embassies processed 143,000 Russian passports in Uzbekistan, 76,000 in Kazakhstan, 65,000 in Estonia, and so on. And all this in a difficult and sometimes dangerous situation. The most recent examples are the bombing of the residence of the Russian ambassador in Tbilisi and the campaign of pressure directed against our consular group in Simferopol. It must be said that

we have had rather intensive and frank, to use the diplomatic term, correspondence on this issue. I also had a direct conversation on this matter with my colleague Gennadiy Iosifovich Udovenko. We told each other exactly that we think about this matter. I hope we will be able to avoid such things in the future and to ensure civilized consular protection for Russian citizens. At the same time, it is important not to succumb to emotions and to remember that there are many more things that unite us and Ukraine than divide us.

We are seriously concerned about the situation of Russian citizens and our compatriots in Crimea, where a difficult political situation has come about. Russia does not dispute the fact that Crimea is a component part of Ukraine. At the same time, we believe that it is essential to respect both Ukrainian laws and Crimean autonomy, both the territorial integrity of Ukraine and the will of Crimeans as expressed in the elections and survey of citizens held in March 1994. We hope that the Ukrainian government will settle relations with Crimea on the basis of due regard for the legitimate rights of the peninsula's population and respect for the principles of the Organization for Security and Cooperation in Europe. The OSCE itself has also called on the Ukrainian side to do this.

Despite the continuing difficulties, we intend to expand consular protection for our fellow citizens in the "near abroad." In accordance with the president's edict, the Ministry of Foreign Affairs will open 17 more consulates general in 10 CIS countries in the next two years.

I hope that our meeting today will help find answers to the urgent issues confronting our policy of supporting Russians abroad. In particular, how can we invigorate and enhance the effectiveness of the participation of state and public organizations in implementing the presidential edict and government decree on work with our compatriots? How can we involve the Russian business world in this effort? In this regard, however, I must say that I have already encountered the first, very encouraging and, I would even say, touching examples in the CIS countries, examples in which our entrepreneurial circles are contributing and providing aid to our compatriots. Nevertheless, one would like to see such efforts take on a more systematic and focused character.

What new forms of cultural and scientific ties can be used to this end? Here, it seems to me, there is a rather wide gap. No matter where I go, there is enormous interest in and an enormous need for such ties, and not only on the part of ethnic Russians, but also on the part of citizens of the titular nationality who also fall under the category of the Russian-speaking population. For

many of them, the Russian language and Russian culture are just as much their own as they are for Russians *per se*. For this reason, the need for cultural and scientific exchanges is tremendous. The main obstacle is a lack of funds. My contacts with our creative and scientific intelligentsia show that they understand this and want to support these ties, but the financing is inadequate. This is another area in which our entrepreneurial structures or foreign sponsors could make a real contribution.

Finally, there is the question of what useful elements can be borrowed from international experience in working with foreign diasporas. I think that some elements can be borrowed; at the same time, however, there are nuances that are not always suitable for us. In any case, this is an interesting topic too, and I hope that it is explored in the presentations by the participants in our discussion today.

Institute Head Charges 'Apartheid'

954Q0244C Moscow *DIPLOMATICHESKIY VESTNIK* in Russian May 95
No 5, [Signed to press 25 May 95] p 54-56

[Participants' presentations: "Speeches by Discussion Participants"]

[FBIS Translated Text] A.M. Vasilyev (director of the Russian Academy of Sciences' Africa Institute. Distinguished colleagues: The words "Africa Institute" may seem out of place at our conference. But the fact is that, for one thing, we have reoriented a sizable portion of our research, with due regard for our methodological experience in studying third world problems, toward the southern republics of the former Soviet Union. Second, I think that our experience in studying the collapse of apartheid in South Africa is very useful for us, considering that we allowed the Soviet Union to collapse in a way that resulted in a situation in which a considerable number of our compatriots find themselves outside the Russian Federation in conditions that are characterized by various elements of apartheid.

As one of the premises of my presentation, I would like to say the following: I count myself among those who do not believe that the Soviet Union was a empire in the classic sense. It is my conviction that the USSR lacked such attributes of empire as a dominant nation that exploited others and a center that exploited regions. The Soviet Union had a dominant, multinational nomenklatura consisting of Russians, Georgians, Jews, Uzbeks, Ukrainians, and so on, and it encompassed peoples who were victimized by that system, but first among these victims was the Russian people.

For this reason, the situation of Russians outside contemporary Russia, and in particular in Central Asia (I

intend to focus primarily on the southern regions), cannot be justified by the fact that they are members of a formerly imperial nation. Even in the former southern republics, the dominant stratum consisted of the party nomenklatura, in which Russians were a minority and—with the exception of second secretaries, and sometimes, in Kazakhstan, for example, first secretaries—were not part of the top levels of that nomenklatura. Russians were not part of the criminal trade-oriented "nomenklatura" or were a minority in it. They were workers, miners, and members of the intelligentsia and other occupations that were not among the privileged strata of the population.

It is now clear to all that the former republics of the Soviet Union were continually nourished from Russia's economic reserves. Even the example of Ukraine attests to this, not to mention the enormous reserves that Russia poured into Central Asia and the Transcaucasus. But after what happened to us, I said (while not pretending to the role of prophet) at one of these conferences two or three years ago that the problem of Russian-speaking populations would become one of the most important priorities of our foreign and domestic policies. At the time some of those present here today ridiculed me, saying, "What do you mean, democracy has triumphed in our country, democracy is on the march in the Baltics and Ukraine, Central Asia is gaining independence. What problems does this pose to Russians?" Now we have face those problems. And in this connection the question arises as to what methods we should use to protect the Russian-speaking population.

Naturally, there should be positive methods, such as those that our distinguished minister just spoke of and which we should undoubtedly support, such as treaties, cooperation, and so on. However, in both the discussion points presented to us and in the minister's speech today, I did not see one thing: What arsenal of means do we intend to use if the rights of Russians are not respected? Which is precisely what is happening—from elements of apartheid in the Baltic republics to the robbery, expulsion, and outright physical destruction of Russians in certain Central Asian republics. And so what arsenal of methods should we have, in addition to the dominant ones, such as cooperation, development, and so on?

Obviously, such methods could include the political and diplomatic demarches discussed earlier, such as purposeful campaigns in the press, the creation and support of certain public organizations, and methods of exerting political pressure (I am not afraid of that word) if the rights of Russians are not respected and if Russians and Russian-speaking compatriots are threatened with physical danger. What would the United States or France do in such circumstances? Perhaps we

should take their experience into account. And so we must have a set of means with which to protect the Russian-speaking population.

A few words about the problem of double standards in the field of human rights. We have always proceeded from the premise that the West will help us, they have democracy. But I once worked in the Vietnam on which "democratic" bombs were falling and where nearly 1 million people were killed. But that's another matter. Nevertheless, I admire Western democracy. However, they have double standards: If someone is being persecuted in Russia (a Ukrainian, Russian, or Jew), there is one standard, but if a Russian is being persecuted in the Baltics, they protest a little, but whisper, "You behaving badly, but you're still welcome to join the Council of Europe."

In our press and political lexicon, unfortunately, we constantly use an incorrect term—civilized countries, civilized behavior. Allow me to disagree with that term. Fifteen civilizations exist in the world on an equal basis: Western civilization, Chinese, Buddhist, Muslim. You and I belong to East European civilization. And our civilized behavior is defined by this, and hardly by Western standards alone, standards and experience that, of course, must be respected, borrowed, and utilized. In this connection, the question of relations with Muslim civilization arises. If we, as first-graders in democratic development, start learning democracy from our southern neighbors, no one is going to grasp those lessons. This is one danger that threatens us. And if we, from a position of great-power chauvinism, start talking about a march on the south, we will also wind up with self-defeating results. We have to learn to live together. When we learn to respect the inherent value of other civilizations, we will learn how to respect ourselves. Muslim civilization has its own inherent value and has the right to be proud of it. At the same time, people in our country are constantly confusing different concepts: fundamentalism, Sufism, Islamic revival, pan-Islamism. These are totally different concepts. Why is there no fundamentalism in Chechnya? Because you have Sufis there, who are enemies of the fundamentalists. These are basics for the specialist. Thank God the war in Chechnya has not become a religious war, and we should give credit to religious leaders on both sides. But this must also be taken into consideration where other regions are concerned. And so we educate our people in a spirit of respect for others, and not bow to the West or anyone else. And when that happens we ourselves will be respected. The East has a special respect for justice and firmness, but firmness is something we often lack.

I want to call attention to the need to study foreign experience, both positive and negative, in relations

with foreign diasporas. Perhaps the Foreign Ministry should set up a special commission and decide what is appropriate for us and what is not. We can learn something from the Hungarians: They are in a very similar situation. The experience of Germany's behavior toward Germans and German-speaking populations is also of interest.

In conclusion, I would like to say that the result of any Russian policy with respect to the Russian-speaking populations, and not to Russians and Russian speakers abroad alone, will be determined by the domestic situation in Russia. If the situation stabilizes and we crawl out of the terrible crisis in which we find ourselves, everyone will come running to us of his own accord. But if our economy and living standards continue to fall, everyone will flee us.

Kozyrev on Use of Force

954Q0244D Moscow DIPLOMATICHESKIY

VESTNIK in Russian May 95

No 5, [Signed to press 25 May 95] p 56

[Response by Kozyrev: "A.V. Kozyrev"]

[FBIS Translated Text] A.V. Kozyrev. I would like to make one point. A.M. Vasilyev spoke about an arsenal of protective means. This is indeed a most interesting question, one that may perhaps even merit a separate discussion or that could be the essence, to some extent, of what we are talking about. In its most abstract form, the arsenal of means is familiar to us all: from expressions of mild dissatisfaction in a statement by some anonymous Foreign Ministry spokesman (the mildest option), to the use of force, and not only force of a political or economic character, but also armed force. I do not rule this out. Now people will say once again that there are two Kozyrevs, but I said that in 1991, and I am saying it in 1995: There can be instances in which it is necessary to use armed force to protect our citizens and compatriots abroad. How we use this entire arsenal is another matter, in order that neither option is turned into an absolute—neither statements by anonymous spokesmen, which we sometimes use, nor, much less, the use of force. And this is no doubt the essence of the matter: How to use what, where and under what conditions, how to consider all the options, how to avoid succumbing to purely emotional feelings and the indignation that we all sometimes feel.

Another issue is the use of the arsenal of means of exerting international pressure. We have made some progress in this area. For example, the OSCE now has a mission in Crimea. The High Commissioner for National Minorities, van der Stuhl, made a trip there; before that he spent most of his time working

with the Baltics. I think these are useful mechanisms. At the same time, of course, and I agree with you, there remains the problem of "double standards" of sorts on the part of a number of Western international institutions, which sometimes raise their voices in defense of national minorities far more meekly than is justified, in my opinion. The question arises of how to convey our concerns to these organizations, and this is a task that by no means confronts state agencies alone. The Parliamentary Assembly of the Council of Europe and other European parliamentary forums are playing a very great role. A number of our deputies and delegations, led by V.F. Shumeyko, have made a major contribution to conveying these concerns to foreign parliamentarians. But at the same time, it must be said bluntly that the statements and actions of certain of our gung-ho patriotic deputies have only the opposite effect, essentially augmenting the arsenal of charges that Russia harbors some sort of imperial ambitions and is trying to use the Russian-speaking populations as a "fifth column." I regard this as the worst form of Russophobia, an attempt to ride into political paradise on the backs of these people. And this, in my view, is utterly base.

And a final observation. I would ask that the Foreign Ministry's discussion points not be taken as the position of the Ministry of Foreign Affairs. This is a provocative document in a good sense, designed to stimulate discussion, and it contains both controversial points and points with which we ourselves do not agree; it is intended to elicit critical observations. Sometimes these discussion points are for some reason taken as the position of the Foreign Ministry. They are not the position of the Foreign Ministry, they are questions intended to draw fire, to light a spark.

Duma Committee Head on Crimea, Kazakhstan

954Q0244E Moscow DIPLOMATICHESKIY VESTNIK
in Russian May 95

No 5, [Signed to press 25 May 95] p 56-59

[Presentation by Deputy K.F. Zatulin: "K.F. Zatulin"]

[FBIS Translated Text] K.F. Zatulin (chairman of the Committee for CIS Affairs and Relations With Compatriots of the Russian Federal Assembly State Duma). It goes without saying that the question under discussion today is a basic, conceptual one for the future foreign policy of the Russian Federation. We are only beginning to gain an understanding of this problem. I attended the symposium currently under way at the Russian Academy of Sciences. It is being held by the Russian-Armenian Foundation and is devoted to the approaching anniversary of the Armenian genocide. It would be useful for us today to take a look at how members of other divided nations, such as the

Armenians and Jews, have learned to fight for their rights.

For the first time in many centuries, our people have become divided. The same applies to the Ukrainian people, because 11 million Ukrainians live in the Russian Federation. The Kazakh people have become divided—1 million Kazakhs live in the Russian Federation. Those of us who live within the administrative boundaries of the Russian Federation and those of us who live outside its borders are finding ourselves in this situation for the first time and are not immune to the conditions in which a divided people live. Moreover, the ruling elites of the so-called titular nations still lack experience in running independent states and, as a consequence, lack sufficient tolerance and respect for the problems of foreigners and national minorities, including Russians and ethnic Russians who live in the states of the "new abroad." I would like to recall how the State Duma formulated its position on this issue.

First, the two chambers of the Federal Assembly formed committees for CIS affairs (the Committee for CIS Affairs of the State Duma has an even longer title—the Committee for CIS Affairs and Relations With Compatriots). From the very outset, this was an acknowledgment of the fact that this problem is recognized by the lawmakers elected in December 1993. Since then the committee has accomplished a certain amount of work and in October of last year convened a large conference on the situation of compatriots abroad. The documents of that conference were made available to the general public. At the time we attempted to answer most of the questions raised by initiative in the document that the speakers and the Russian foreign minister have cited. Some very difficult methodological and other problems arise: What is a compatriot? What is an ethnic Russian? What proper formulation should be chosen, and what strategy and tactics for solving this problem can be selected without reducing this, of course, to a desire to create a "fifth column"? The main conclusion we reached, and I am deeply convinced of it, is that the problems of the Russian diaspora in the countries of the "new abroad" cannot be solved outside the context of reintegration of the post-Soviet space.

On the eve of the Belovezhye agreement, many of those here were under the illusion that a so-called zero solution was possible: We would detach the Russian Federation from the Soviet Union, and if Russians or Russian-speaking ethnic Russians were to be persecuted outside the Russian Federation, Russia would take them in. As you know, that theory proved inviable primarily on account of economic factors. I will not burden you with figures, but you now understand that taking in a sizable portion of the Russian migration from the

countries of the "new abroad" could cost so much money that any attempts to pursue any economic reforms, be they "Gaydarite" or "anti-Gaydarite," aimed at ending the country's economic crisis are simply doomed to fail. Provided we don't want to fill the army of the unemployed, prostitutes, and criminals by resettling people without giving them any real opportunity to establish themselves, we would eat up any minimum economic growth by the cost of taking care of forced resettlers and immigrants. I am not going to cite other examples, such as the anti-humanitarian nature of such a course, parting with familiar places of residence, and so forth.

It was no doubt an understanding of this that also led to the establishment of the government commission for the affairs of compatriots abroad, which was formed by presidential edict and government decree in August and September of this year and has managed to hold just two sessions since then. At the present time it is in the stage of working out its rules of procedure, and from this standpoint, of course, we are surprised by the discrepancy between the aspiration to take a serious approach to this issue and the desire to portray an unserious attitude as something more substantial, because the acute problems facing our compatriots abroad demand far more operational efficiency.

Finally, a few words about the future course of the activities of the State Duma in supporting our compatriots. In April a resolution was adopted on forming the Council of Compatriots as an expert advisory body to the State Duma. At first there was a certain amount of resistance and a lack of understanding, but events in Crimea and the events that are coming to a head in Kazakhstan, it seems to me, persuaded deputies, and this is how I account for the vote in support of that decision.

What exactly is the Council of Compatriots? It is not a body consisting of representatives of ministries and departments (for that there is the Government Commission for Compatriot Affairs), but rather a body that was elected by members of the Russian diaspora themselves and that is seen as a kind of miniparliament for the Russian diaspora in the "new abroad," created in order to assess, from the viewpoint of our ethnic Russians, various steps by the legislative branch to ratify the agreements with the CIS countries and Baltic republics, to implement various legal statutes, and to draft laws. It is by no means an economic organization or legal entity, because there are already more than enough organizations of that type. Many of them are doing useful things, but a number of them were created solely in order to subsequently obtain a brief but, for them, prized government decree granting them benefits and preferential treatment supposedly in order to provide assistance to

our compatriots. Our committee has sent eight inquiries to the relevant agencies regarding such remarkable organizations as Mr. Shelov-Kovedyayev's Russian Club, which, to my knowledge, has not had much success in supporting our compatriots but does have many powers granted it by government decree. There are already standards of sorts for decisions of this kind. I think that every effort must be made to expose pseudoactivity with respect to supporting the Russian diaspora.

And now as regards the essence of certain problems linked with specific territories. It is no secret that the State Duma took an active position in connection with the Crimean problem and Russian-Ukrainian relations in the new stage. I want to dispel any doubts and would ask that people not equate the deputies to the State Duma who vote to give the floor in the State Duma to the chairman of the Crimean Supreme Soviet or vote to adopt statements and resolutions and for the law imposing a moratorium on cuts in the Black Sea Fleet with those deputies who are capable only of tearing up flags and the traditionally fraternal relations between Russia and Ukraine.

The situation is far more complex. As you know, the Ukrainian leadership's policy, which has undergone little change since Leonid Makarovich was replaced by Leonid Danilovich, has been carefully planned and thought out and is aimed at eliminating elements of Russian influence in Ukraine, including by means of assimilating the Russian population in that republic. I have no other way of explaining the inadequacy of the reaction that constantly accompanies decisions by the Ukrainian authorities with respect to Crimea. I flatly reject schematic analogies between Crimea and Chechnya in the mass media in this regard. I think that we in the Foreign Policy Council need to finally speak out about calls to join forces in combating Crimean-Chechen separatism. There have never been armed gangster groups in Crimea, and the entire process has proceeded within the framework of the Constitution; despite the Crimean population's obvious sympathy for Russia, no one—neither the president nor the Supreme Soviet—has ever raised the question of Crimea's succession from Ukraine. President Meshkov (good or bad) was elected in a bruising, two-stage election battle that included alternative candidates under Crimean and Ukrainian laws. But here we have an attempt to draw an analogy with Dudayev, who, as we know, had challenged the Russian Federation for a three-year period, declaring Chechnya's independence and secession from Russia, and who used brute force to disband all representative government bodies.

I see no analogies here, only a desire to somehow exploit our own inner complexes. For this reason, the State Duma's position on this is quite clear. First, a

treaty between Crimea and Ukraine. And a treaty in particular, not laws, because we have been witnesses to how laws first appeared and then were taken back, among them the law delimiting powers between Crimea and Ukraine, which was adopted in 1992 on a wave of protest by the Crimean population and later, on 17 March, was withdrawn and rescinded. Therefore, a treaty between Crimea and Ukraine is an important condition for stabilization in the region; otherwise, the Crimean problem will always be a mine planted under Russian-Ukrainian relations. Today our executive branch takes one view, but that branch could be replaced tomorrow and a new legislative body could be installed, and so this question will always remain open, just like the northern territories problem for Japan, which will always be open unless it is solved through some sort of compromise.

I would like to call attention to the fact that much is attributable to the sluggish position we have taken on Crimea and on events there. Our sluggish position is largely due to the fact that the Foreign Ministry has for some reason gotten the impression (and this was confirmed during past hearings on Russian-Ukrainian relations) that Crimea is something of an irritant in relations between Russia and Ukraine. There are these supposedly wonderful and cloudless relations, despite all, between Russia and Ukraine, and then there is Crimea, which keeps putting us at loggerheads. How can we rid ourselves of this, of Crimea, Sevastopol, and the Black Sea Fleet (of which we are now successfully ridding ourselves)? If we can rid ourselves of all this, everything will be just fine. I think that Crimea is not an irritant, but a factor that truly binds Ukraine to the Russian Federation more than any assurances of friendship and cooperation. And to take any other attitude toward Ukraine at the level of our diplomacy would simply be wrong—a mistake, and a mistake, as you know, is worse than a crime, as one of our well-known foreign ministers of the past used to say. And so as long as we allow ourselves to be led around by the nose in these matters, we are going to have to deal with surprises in Russian-Ukrainian relations—such as when we forgive debts, while debts are repaid to other parties, such as the International Monetary Fund and others.

My comments on Crimea are a test of our actual ability to protect the rights of the Russian population and its express will. Of course, we have deputies who dream of Crimea as part of the Russian Federation. By no means all of us take this view. We understand realities, but nor can we simply allow Crimea to be "digested" in a way that flouts all domestic and international norms.

I would like to conclude by speaking about another problem that will be the subject of special hearings

in the Committee on CIS Affairs and Relations With Compatriots at 15:00 today. It is the situation of the Russian majority in Kazakhstan. As you know, there are ordinary lies, and there is the worse kind of lie—the statistical lie. Even back in the 1989 census there were some problems involving how many Russians lived in Kazakhstan. Today, in our opinion, there are 8 million, while the Kazakh side puts the figure at 6 million. These losses of millions of people are by no means accidental. This is wishful thinking and an attempt to somehow belittle the importance of this issue in the subsequent development of the Kazakh state.

It was said here that Russian organizations and communities are divided. They are indeed being divided, and this is being done in a very skillful way. And what are we doing? Besides issuing declarations—nothing. Can you imagine an eastern despotism that would permit open opposition activity? I think this is a naive impression. We have no reports of persecution of Russians in Uzbekistan—they are simply voting with their feet—leaving that country. There are no reports because Uzbekistan is a harsh police state that doesn't allow anyone to raise his head or try to express any protest. That regime operates not only on the territory of Uzbekistan, but also in Russia, where it carries out reprisals against the opposition, while we pretend that nothing is happening.

In Kazakhstan, a certain opposition still exists, but a referendum will be held on 29 April, and we'll see what happens to that opposition. Russian organizations in Kazakhstan have sent an open letter to President Nazarbayev. I would like to read just one paragraph and finish with that. "We believe that the referendum should ask just one question: 'Do you agree that the Republic of Kazakhstan should have two official languages—Kazakh and Russian?' If this question, a vital one for the entire people, is ignored again, this will force us to call on the republic's Russian-speaking population to boycott the referendum." Can it really be that the question of official languages, in a situation in which Kazakhs don't know their native tongue, can so shake the foundations of the Kazakh state? I assure you, the answer is no. Nazarbayev can calmly be president to 2000 even if there are two official languages. And this would have no great effect on domestic policy. But it would do the most important thing—it would send a signal to the Russian diaspora in Kazakhstan that it can go about its activities, that it can get up from its knees. In the final analysis, the situation in Crimea, Kazakhstan, and the Baltic republics is the same: There is no indication that we have a special concern for the Russian-speaking populations living in those countries.

I submit that in the near future, in addition to the creation of various bodies under the State Duma, we are going to have to adopt a declaration stating that the Russian Federation will serve as patron to Russian citizens, stateless persons, and ethnic Russians living in the "new abroad." Such a declaration, couched in terms of international law, would serve as a fully acceptable conceptual document for years to come. Unless we reach a consensus in this way, we will always be confronted with surprises. Some other "Meshkov in Crimea" will unexpectedly come to power on a wave of protest, without any support from Russia. This will put us in an unpleasant situation, and the people who work so hard and are so willing to divide oil quotas in negotiations with each other and who engage in reexport and everything else will find themselves in a difficult situation. They will have to somehow explain to the people as a whole just why they are doing such things against a backdrop of the worsening situation of the Russian population in Ukraine, Kazakhstan, or some other place. I urge that we devote serious attention to this. If not, this problem is going to detonate political life in the Russian Federation in the very near future.

***Data on Foreign Investment in Russia Summed Up**
 954E1143A Moscow KOMMERSANT-DAILY
 in Russian 1 Jun 95 p 8

[Unattributed article: "Money From Abroad: How Much, Where and From Whom"]

[FBIS Translated Text] The appeal by the President of Russia to "turn toward investments," which resounded in the last message to the Federal Assembly, was a gesture addressed toward foreign capital. This is logical, since specific Russian investments have come to a standstill at the level of 1992-1993. Partly because of this, the first column of "Entrepreneurial Practice" opens with the theme of foreign investments. Considering the immensity of the topic, the task of today's materials is narrowly defined: To give a general understanding of what is going on with foreign investments on a country-wide scale, and also to tell about the basic errors which our entrepreneurs are committing in relations with foreign investors.

He will eat it, but who will give it to him?

According to expert evaluations, the Russian economy has already reached the parameters of the American investment crisis of the 30's ("Great Depression"), and is ready to surpass them. There is an intensive ongoing process of "ageing" of the fixed capital. Most greatly affected by the investment crisis are the sectors of material production, agriculture, industry and construction.

Least affected are the housing sector and the sphere of services.

The results are approximately as follows: According to estimates of the World Bank, by the end of the current century, Russia needs \$50 billion for development of the oil industry, \$50-\$60 billion for restoration and modernization of the processing sectors, and another \$25-\$30 billion for conversion of defense industries.

Considering the fact that the amount of state centralized investments for 1995 is equal to 9.8 trillion rubles (R), we may understand that the Russian government has finally selected the generally accepted Western standards in its investment policy—that is, orientation toward attracting private capital. At the same time, the government expects to direct foreign investments in the volume of \$1.5-\$2 billion into production alone. This means that the stake is being seriously placed on foreign capital.

So where is that capital?

Due to the inadequacy of Russian statistics, only an approximate appraisal of the overall volume of foreign investments in the country may be given. The Goskomstat [State Committee on Statistics] maintains that in 1994 there were \$1.2 billion invested (of those, 3/4 were direct investments), while the RF Minekonomika [Russian Federation Ministry of Economics] believes that this sum was over \$3 billion. Then again, no matter how much you feed Russia—in Hungary the investments are still two times greater (there the real investments comprised \$6 billion).

The problem also lies in the fact that the official statistics take into consideration the investments only by contributions to the statutory funds of SP [joint ventures]. On the whole by January of 1995, 16,063 enterprises with foreign investments were registered in Russia. However, the rates of their growth slowed down after the repeal of benefits in 1991-1992. Forty percent of the registered firms with foreign participation are not operating.

The mechanism of voucher privatization hindered the direct access of foreigners to auctions. Access to information about the enterprises was also difficult. A similar situation was repeated at the stage of monetary privatization. Nevertheless, according to indirect data, 10-12 percent of all the shares sold were purchased by foreigners, although their direct participation in privatization was almost not noted. In other words, the investments were in fact made in a semi-legal manner, through middlemen (such as the voucher investment fund "Petr I," for example, which is backed by Czech capital). Be that as it may, the most important result of 1994 was the interest of foreigners in portfolio investments.

Top ten countries making investments in Russia in 1994, by volumes of investments into developed SP [joint ventures]

Country	Relative share in overall sum of foreign investments in Russia (%)	Capital (million rubles)	Number of registered SP
USA	24.1	30967.7	872
Hong Kong	6.9	8810.3	66
Italy	6.5	8320.4	320
Switzerland	5.8	7465.0	195
Canada	4.0	5090.5	126
Great Britain	3.3	4208.7	361
Spain	3.2	4152.9	72
Turkey	3.2	4133.9	75
Belgium	2.8	3547.4	76
China	2.5	3166.1	311

Computed according to data of the Russian Agency for International Cooperation and Development.

According to the evaluations of the American Trade House, in Russia for the 9 months of 1994 the volume of portfolio investments reached 2 billion. The priorities were the market in GKO [state short-term bonds], and since the beginning of 1994—shares in privatized enterprises. The profitability of operations with securities is illustrated by the example of the Pioneer Group, which purchased the First Investment Voucher Fund, and the Russian-American Enterprise Fund, which acquired 20 percent of the shares in the "Grant" financial center.

Another tendency has been the preparation of investment funds for venture operations for purposes of modernization of prospective enterprises. Notable activity has been exhibited by the EBRD [European Bank for Reconstruction and Development], which is planning to create 11 regional venture funds. The Pioneer Group is

also creating a venture fund, which within 10 years intends to invest from \$100 to \$200 million in projects. The experience of the EBRD funds has shown that the workers of enterprises have a mistrust of outside investors (especially foreign ones). They are particularly fearful of lay-offs and loss of control over the enterprise. Moreover, the managers have a tendency to over-appraise their enterprises. The fears of the directors are well founded. According to the data of Goskomimushchestvo [State Committee for Administration of State Property], 70 percent of the investors participating in privatization have recognized their goal as the possibility of acquiring the controlling packet. Another decisive factor has become the right of ownership of the land belonging to the plant, or the right to long-term lease of the land, with subsequent purchase.

Basic documents regulating activity of foreign investors in Russia

Date of signing	Type and name of document	Basic content	Comments
4 July 1991	Law "On Foreign Investments in Russia"	The national regimen extends to foreign investments, SPs have retained certain benefits only in foreign economic activity.	In connection with the adoption of the law, "On Certain Questions of Granting Benefits to Participants in VED (Foreign Economic Activity)" adopted in March of 1995, the benefits of SP not specified in the law, "On the Customs Tariff," are repealed. The basic content of the new edition of the law on foreign investments is the introduction of a 5-year period during which all the statutes of the Russian authorities which can inflict material losses upon investors do not apply to enterprises which have a minimum of foreign investments (no less than 30 percent foreign participation, \$100,000 real contribution by the foreign partner).
21 February 1992	Law, "On Mineral Resources"	Licenses are introduced for use of mineral resources; these apply also to concession agreements and to agreements on division of production.	The basic problem in adoption of the law, "On Agreements on Division of Production," is to coordinate the contractual mechanism of defining the volume of payments by the investor with the administrative procedure of obtaining licenses.
4 June 1992	Presidential edict, "On Certain Measures for Development of Free Economic Zones"	Increased export duties are introduced on raw materials extracted in the FEZ (Free Economic Zones).	Free economic zones require a much greater volume of benefits, which may only be granted by a special law on FEZs, whose preparation is being actively conducted.
8 April 1993	Letter of the Central Bank, "Conditions for opening banks with participation of foreign investments on the territory of Russia"	Conditions: The sum of contribution by at least one of the foreign partners must be no less than \$2 million; license issued by the CB (Central Bank)	At the end of 1993, a moratorium was introduced until 1 January 1995 on the activity of foreign banks in Russia. Then part of the foreign banks, primarily the European, were excluded from the moratorium, and the conditions of the CB remained unchanged.
15 June 1993	GTK [State Tariff Committee] order, "On Partial Exemption from Payment of NDS [Value-Added Tax] on Goods Imported as Contributions to the Statutory Fund"	Exemption extends to the import of goods, except for those subject to excise tax, for the term of formulation of the statutory fund.	There are proposals within the scope of amendments to the law, "On the Customs Tariff," to introduce new limitations. These benefits may be used only by SP where the real contribution of the foreign partner is no less than a certain threshold value, but the chances for introduction of additional limitations are slim.
27 September 1993	Presidential edict, "On Developing Work With Foreign Investments"	A 3-year "grandfather clause" is introduced for SPs	The edict is ineffective, since amendment of the tax legislation requires the decision of parliament.
1 April 1994	Government decree, "On Organization of Work With Foreign Investments"	The Federal Center for Project Financing and Consultative Assistance to Foreign Investments (under Minekonomika) is established.	In essence, the new structures are created in place of the abolished Russian Agency for International Cooperation and Development (RAMSIR).
2 June 1994	Letter of Gosnalogshizhba [State Tax Service], "On certain questions of taxation of foreign investments"	Credits in foreign currency received by taxpayers are not subject to NDS or special tax.	This is the result of lobbyist activity by the Consultative Council on Foreign Investments in Russia. This agency, whose chairman is Viktor Chernomyrdin, includes the managers of 16 major companies of Europe, the USA and Japan.

Date of signing	Type and name of document	Basic content	Comments
6 June 1994	Government decree, "On the State Registration Agency Under Minekonomika"	The agency registers enterprises with foreign investments.	Continues the process of replacing the liquidated RAMSIR.
30 June 1994	Government decree, "On the Procedure for Determining Production Imported by SPs For Their Own Needs"	Ratifies the procedure of determining products for one's own needs, which are exempted from import duties in accordance with the law on foreign investments (except for goods subject to excise tax).	This same benefit is also provided by the law, "On the Customs Tariff." This means that the anti-benefit measures of 1995 do not extend to this decree.
29 August 1994	Government decree, "On Activation of Work on Attracting Foreign Investments"	Ratifies the structure of the Consultative Council on Foreign Investments.	Three commissions are created within the framework of the council: On the investment image of Russia, on the tariff and tax regimen, and on the investment climate.
25 January 1995	Presidential edict, "On Supplemental Measures for Attracting Foreign Investments to the Sectors of Material Production"	Foreign firms realizing projects in Russia valued at no less than \$100 million, with their own contribution being no less than \$10 million, who have concluded investment agreements with officially authorized departments, import their finished product with payment of 50 percent of the rate of import duties.	Today this is almost the only legal import benefit. At the present time, the Mars Company may make use of it, but on the whole the edict is aimed at the development of defense industries in Russia.
27 January 1995	Letter of the GTK, "Explanation of benefits in formulation of the statutory fund."	New: Exemption from NDS is limited to one year from the moment of registration of the SP.	The fiscal attack on foreign investors continues.

They were guessing about where to invest, but they have already invested

From the standpoint of the interests of Russia, the priority directions of foreign investments are as follows. First of all—the scientific-intensive spheres, and especially the defense sector. It sounds tempting: Local technology and Western marketing. There are successful examples of cooperation with the Siemens and ABB concerns. However, more often it turns out otherwise: In the best case, a Western product made of domestic components contains a "Russian" piece of iron. The second priority is diversification and expansion of Russia's export potential. This also remains a good intention: Investors eagerly participate in the export of raw materials and semi-finished products, but are not eager to invest in machine building and instrument making. Third is the development of import-replacing types of production. Successful examples are also few: The Mars project for production of chocolate goods in Podmoskovye. Fourth: Foreign investments into the infrastructure, and especially transport and communications.

Alas, foreign investors have already defined Russia's place in the international division of labor. It differs noticeably from the ambitious plans of the government. In production, investments are ever more being directed into the raw material sectors, especially into oil drilling and gas extraction. By volumes of investments, the food industry, production of computer equipment and software also stand out. By number of enterprises created with foreign participation, first place goes to middleman and consultative services, TNP (consumer goods), construction and production of building materials, and trade. Not counting the mining sectors, investors have gravitated toward projects with a rapid term of recovery.

Production of shoes and fabrics has declined due to the growth of transport tariffs, prices on electrical power, raw materials and semi-finished products. The state of affairs with foreign investments in the petrochemical industry, wood processing, and production of industrial raw goods and materials (metals, rolled stock, chemicals) has also deteriorated.

Foreign investors: Who are they?

Domestic experts classify foreign investors into two basic categories: The first are small venture companies who have come on the scene recently and for a short time, and who want to skim the cream off of the new super-profitable market. Many of them do not register, in order to save on expenditures for presence on this market. The second category is comprised of strategic investors who have learned "not to notice" the problems of the Russian market.

There is an increasing relative share of enterprises with 100-percent participation of foreign capital. The developed countries are especially active here: Their share comprises 63.2 percent of the SP and 77.1 percent of the investments. In a quantitative sense, the leaders are the United States (312 enterprises), England (120), Germany (89), Austria (61), and Switzerland (52). By volume of investments, the leaders are England, Germany, the United States, Canada, and Finland.

In the macroeconomic sense, the role of foreign investments is intangible. In 1990, the relative share of enterprises with foreign participation comprised 2 percent of all capital investments in the RF, 2.5 percent in the volume of production, and 0.2 percent in the overall number of persons employed. However, on the whole these enterprises operate more effectively. They have shown increased production of oil and gas, aluminum, steel, PEVM [personal computers], certain TNP, especially sewn and tricot goods, and a number of food products. Then again, the "improved" indicators of the SP may to some degree be credited to more responsible book-keeping and accounting, which has been well regulated at these enterprises.

***Oleg Davydov on Debt Restructuring, Tariffs, Trade Issues**

954E1149 Moscow SEGODNYA in Russian
17 Jun 95 p 6

[Interview with Oleg Davydov, vice premier and minister of foreign economic ties, by Mikhail Leontyev under "Balance" rubric; place and date not given: "Vice Premier Oleg Davydov: No More Talk of Unlimited Freedom for Foreigners on the Russian Market"]

[FBIS Translated Text] **The latest agreement on restructuring our foreign debt has been signed. How much money will we end up paying out to creditors in the future?**

[Boxed item] **Oleg Dmitriyevich Davydov was born in 1940. He graduated from Moscow Construction Engineering Institute and worked abroad for many years. He was deputy chairman of the USSR State**

Committee on Economic Ties and USSR deputy minister of foreign economic ties. Since January 1993, he has been first deputy minister; since September 1993 he has been Russian minister of foreign economic ties. In 1994, he became vice premier, retaining his ministerial post.[end box]

We know that we sign an agreement on debt restructuring each year. In 1995, we were supposed to pay \$8 billion of the former Soviet Union's debts. Of that, \$4.9 billion was according to the existing schedule, and \$3.1 billion was debt that was restructured in 1992 that had come due. We are speaking of debt owed to the Paris Club, and 1 billion "Soviet" dollars owed to the London Club, along with \$4 billion of Russian debt.

The budget provides for only \$6.4 billion toward the payment of debts. After the restructuring for 1995, we now have \$1.1 billion in payments. We have contracted with the London Club that we will pay \$1 billion this year. In this manner, as the result of the agreements reached, we are confined to the planned amount. If we had accepted the West's original proposal, we would have had to pay not \$6.4 billion but \$9 billion. We couldn't do that because we simply do not have that much money.

It is very important that we have reached an agreement about beginning negotiations in September on global debt restructuring. This assumes an "echelonization" of debts for 20-25 years, so that we will know in advance exactly how much we need to pay each year. We will be conducting negotiations with the Paris Club about realizing this sum, and we hope to propose roughly the same conditions to the London Club. In this manner, Russia would be able to fulfill all its obligations to its creditors.

[Leontyev] Regarding the foreign trade balance, aren't you concerned with the current stabilization of the ruble under conditions of continuing inflation?

[Davydov] I believe that the ruble cannot stabilize when there is a high inflation rate. The fact that we are bolting the door on our exports is a consequence of this unnatural economic situation. Now, the level of interference by the state or the Central Bank in this process is extremely low.

It is obvious that as inflation grows, so do production costs. With their unchanging export prices (they don't even decrease in their ruble equivalents), our exports are becoming economically inexpedient. At the same time, favorable conditions are being created for widespread import into the country.

[Leontyev] Isn't the idea of an import tariff connected with an attempt to "conceal" import growth as the ruble stabilizes?

[Davydov] When the import tariff was being created, stabilization of the ruble's exchange rate was poorly examined. Most likely, it was thus: we were counting on a certain stabilization in the exchange rate, but no earlier than July or August. Unfortunately, swift growth in the exchange rate was not accompanied by an adequate decrease in inflation, nor did the large difference between the exchange rate and on-going inflation lead to a drop in production costs. Economically, the system is so unstable that I think it will be difficult to hold the ruble at a high mark.

[Leontyev] How do you feel about opinions that Moscow is preventing deliveries of domestic food products, while the import of food is supported in the city by conspiracy?

[Davydov] In my opinion, this is some kind of fantasy. I must honestly admit that we still cannot meet our own demands for food. A few days ago, I was at an agricultural fair that is going on in Moscow. Despite the fact that its participants include not just Russian regions but former union republics, as well—Ukraine, Belarus, the Baltics—the fair fails to inspire the necessary certainty that our agriculture and processing industry will successfully overcome the food deficit in Russia. The country was experiencing shortages of the most important kinds of food (sugar, meat, butter) back in Soviet times. The drop in production volumes for agricultural produce in recent years has also increased the deficit, but the simultaneous growth in food prices has led to a drop in consumer demand by two times and to a decrease in consumer volumes; for example, from 80 kilograms [kg] of meat per person in Soviet times to 40 kg in our days.

I am firmly convinced that with an inadequate level of domestic production of such vitally important types of food as meat, butter, powdered milk, and children's food, it is simply economically contraindicated to utilize an import tariff as a regulatory instrument.

As far as Moscow is concerned, there has always been an acute deficit of meat, sugar and other products here. For example, even now every year Moscow experiences shortages of up to 450,000 tons of meat. Yuriy Luzhkov is doing much to eliminate this deficit and is searching out suppliers who offer acceptable prices. One must be fair and admit that many food items are less expensive in Moscow than in other cities, and herein lies the capital mayor's personal merit. I, of course, do not exclude the actions of criminal structures in the food business.

I think that capital city markets, as well, are within the reach of mafia elements.

All the same, it seems to me that the prime cause for the food deficit in Moscow and in the country as a whole is not this, but inadequate production and processing of quality agrarian-sector product.

[Leontyev] How will we resolve the issue of realizing a barter agreement for the purchase of Cuban sugar? As far as I know, there are a lot of people willing to participate.

[Davydov] Yes, a large market is opening in that sphere, and there is enormous demand. For this reason, maximum objectivity must be maintained. This is the solution: the Ministry of Foreign Economic Ties announces and conducts a tender, and a government commission confirms the results of the auction.

[Leontyev] There are individual companies that offer better conditions at the auction, they win it, then change the conditions...

[Davydov] And we provide the appropriate guarantees. If you are not going to present an item for the federal reserves at the agreed price, the necessary mechanism will come into play.

The sugar market in Russia is a very important sphere. Much in the food sector depends upon it: the baking, candy, and fruit canning branches. The current deficit in this sphere and prices that have been jacked up higher than world prices by commercial structures obligate the state to interfere and press competently for a drop in prices. In the first stage, we will conduct federal auctions and determine the winner.

In the second stage, in July, we will prepare an agreement for three years, and we will stipulate the possibility of conducting an auction for up to five years. Predictability, the uniformity of its operations and a lack of sharp variation in prices are important on the raw sugar market.

[Leontyev] Incidentally, how do things stand with your initiative to create a commission that would protect the market from dishonest competition?

[Davydov] In order to function well, the commission needs a law on foreign trade activities. It has already been adopted by both the State Duma and the Federation Council. I hope that the presidential administration also fails to find significant fault with the law. In the course of the commission's work, especially when repressive measures are being applied, it is important to be based in the law. The instructions and orders published on this subject are, in my opinion, harmful,

and do not exclude the possibility of subjectivism in decisionmaking. Moreover, one can see the intention of using the commission for political goals to punish those who are objectionable. Even during its formation, it is important to exclude the possibility of any arbitrary interpretations of the commission's functions, tasks, and use of force. This is a sensitive area, and for this reason it is necessary that each step be regulated by normative acts.

[Leontyev] Could you name some of the criteria upon which the commission can base "punitive" decisions?

[Davydov] Such criteria exist. In the West, for example, an increase in imports to 8-10 percent of domestic demand is looked upon as a threat to the national economy. In Russia, with the economy in a depressed state, the implementation of such harsh measures would be inexpedient. Now, imports cover 20 percent of demand in Russia. Taking into account continuing slow development rates in our production, we must consider this correlation normal: 20 percent imported and 80 percent domestic production. However, if imports (and this can already be seen in several spheres) approach 50 percent and begin to affect domestic production—decreasing it—then serious analysis and state interference are required. Here, one must take into account that many goods are smuggled in.

[Leontyev] Smuggling is a different kind of problem. These are illegal acts that must be terminated by the appropriate organs.

[Davydov] It can definitely be stopped effectively when there are functioning borders, but here, due to well-known circumstances, the borders are actually open and often we cannot even make realistic estimates of the volumes of goods transported. There is no way that we can calculate the shuttle trade, which occurs in quite significant volume. Customs estimates, even in the first approximation, do not give realistic volumes for foreign trade.

The growing volumes of imports require great attention, but abrupt, especially prohibitive solutions will not give the desired effect here. With such delicate, unstable conditions in the financial sphere, the process must be regulated very carefully.

Returning to the question of organizing the commission's work on protective measures, I will say that it is now beginning work in accordance with a government decree. A mechanism for submitting claims, conducting investigations, and making decisions has been developed. Examinations of appeals concerning dishonest competition on our market on the part of foreign partners is the main task of the commission. Methods for

conducting analyses and arriving at specific actions for the protection of our manufacturers will be developed and improved gradually.

Here, we must keep in mind that every investigation cannot lead to prohibitive actions toward foreign partners. We do not exclude the possibility that our manufacturers will attempt to take advantage of the commission in their competitive battles. Even more, this forces us to be as objective as possible in adopting prohibitive decisions. We know that in other countries entire branches of industrial production are subsidized, indirectly or directly, and nearly all agriculture is subsidized. While we decline to practice subsidization in our industry, deliveries from abroad could have a serious impact on our market. For this reason, actions taken by the commission toward protective measures must be aimed, especially in the transitional period, at defending domestic enterprises from negative outside influences.

Depending on the specific situation, various protectionist measures could be utilized: import, anti-dumping or compensation duties, quantitative limitations in the form of import quotas, or some other mechanism.

In the West, marketing firms are used widely to conduct investigations of this type. At this time, our infrastructure in this area is fairly weak, and we will need to develop our own mechanism with the aid of state officials.

In any case, the very fact that a commission on protective measures has been created in Russia is starting to have a favorable effect on importers. Now, at meetings foreign partners are at least interested in the commission's actions, and there can no longer be talk of unlimited freedom for foreigners on the Russian market.

[Leontyev] How do you evaluate the current situation in foreign trade on the whole?

[Davydov] Normal. Export is growing not just in prices but in real numbers. Over a four-month period its growth was nearly 20 percent. Import is also increasing but not as fast as export. The positive balance is acquiring a stable tendency toward growth. However, there are also causes for serious concern. As before, the structure of Russian export, with its predominant share of raw materials and insignificantly small amount of machine-technical product, does not suit us. We need to do something with the import of alcohol and tobacco products. After all, before, these positions accounted for 10 percent of the profitable portion of the budget, and now it is just 1.5 percent.

Capital flight is a sore point for the Russian economy. If all export earnings were returned to Russia and that capital were working for our economy... In order for this

to happen, we must create favorable conditions: political predictability, economic stability, a decrease in inflation, a positive rate.

I think that economic growth in Russia will occur in large part not due to foreign investment but mainly as a result of the voluntary return of funds that are now in the West and a rebirth of serious interest in the domestic economy on the part of Russian businessmen.

Returning capital to the country is now our main task.

***Trade Representative to Austria Interviewed**

954Q0264A Moscow DELOVOY MIR in Russian
12 Jul 95 p 7

[Interview with Gennadiy Filshin, RF trade representative to Austria, by RIA "Novosti" correspondents Aleksandr Popov and Vladimir Smyk, under rubric "Ask the Trade Representative": "Russia in Austria Has Caught Up With the USSR"]

[FBIS Translated Text] [Interviewers] You took the seat of trade representative at a time that was very difficult for Russia. Did the crisis in your country have an effect on the state of economic-trade relations with Austria?

[Filshin] This may seem paradoxical, but last year our commodity turnover reached the same figure as the turnover of Soviet-Austrian trade in 1989, and surpasses \$2 billion \$100 thousand [sic] according to Austrian information or \$2.5 billion according to Russian. Austria is one of our country's 10-12 most important partners. Its public is in favor of the further development of our economic ties. It is interesting that the Austrian parliament unanimously ratified the economic-trade agreement with Russia — a situation that does not occur very frequently in the work of the highest legislative agency of the Austrian Republic. If one speaks about the structure of commodity turnover, then, unfortunately, on our side there has been a slow decrease in the percentage of the raw-materials branches; and the basis of Russian export is gas (more than 5 billion cubic meters a year), which plays an important role in that country's economy, especially in power engineering. In Austrian shipments there has been an increase in the share of machinery and equipment (already more than 35 percent), and this is a gratifying situation, which attests to the fact that, despite the crisis, the technical retooling of Russian enterprises is in progress. Austrian industry occupies sufficiently low niches in the markets of other countries, but occupies them solidly, inasmuch as, wherever Austrians work, they are working on a world level.

But Austria's role in Russia's economy is definitely not exhausted by the economic-trade relations. That country

carries out a very active investment policy and occupies — according to information provided by the Austrian trade representation in Moscow — third place with regard to capital investments in the Russian economy, yielding only to Germany and the United States. In any instance for the time being — perhaps this year — it is being overtaken by Japan, the business circles of which have finally wised up and have begun to show activity in our investment market. But if one takes such an indicator as investments per capita of population, then Austria provides Russia with 3-4 times more than other European countries, outdistancing even Germany in that regard.

[Interviewers] But credit has to be repaid...

[Filshin] Of course credit has to be repaid. Our country's financial situation today is rather difficult, and questions of Russian indebtedness to Austria are rather complicated. It must be noted that the problem of restructuring the debts for credit that has been guaranteed by the government has been removed, in one way or another, on the basis of the decisions of the Paris Club. The next question on the agenda is the question of indebtedness to private firms, and, with respect to Austria, taking into consideration precisely its high investment activity, that question will be resolved first of all.

It is necessary to give the Austrians their due: despite all the difficulties, they find ways to expand our ties. Moreover, they help other countries to establish them. I would like to give this example: on the territory of Austria, the United States has created approximately a hundred organizations for work with Russia and the CIS countries. When I ask the Americans why they did not create them back home in their own country, they answer that in Austria the soil is considerably more favorable; the Austrians have a better sense than others do about the mentality of their Eastern partners, and have had prolonged experience in working with them. It has developed historically that Austrians — and this is a peculiarity of their perception — feel that their country is a bridge between the East and the West, and, proceeding from that role, they look, in any circumstances, for the possibility of expanding and strengthening the ties with their Eastern neighbors.

[Interviewers] What are the peculiarities of the work done by the RF trade representation in Austria?

[Filshin] The Russian trade representation in Austria resolves not only problems of economic-trade and scientific-technical cooperation between the two countries. Austria's specific role as a bridge between Russia and Europe could not fail to exert an influence also upon the functions of our trade representation. Last year the

Euro Information Center [EIC] was created here. According to our plan, it is supposed to serve as an information bridge to link up the investment, technological, industrial, and agricultural markets of the West with the markets of Russia. The EIC was created as a result of a conference that was held in Vienna, for our trade representatives in 24 countries and the administrators of the IBEC. The European Center rests upon zonal information centers in East Europe (Budapest) and in North Europe (Helsinki). The center in Spain has access to the data bank of our trade representations in Latin America; communication with the Atlantic countries, including the United States, is carried out by way of the Paris center. There is also an information center in Cairo, which is oriented toward the Arab world, and an information center is being created in Tokyo, which will encompass the trade representations in the Asian and Pacific region.

What have we managed to achieve during the year of existence of the EIC? Our task is to create four data bases or, to express in better, information blocks. The first of them is the investment projects block. From the regions, from the IBEC, and from the Ministry of Economics (it has transferred to us the projects that were the winners in the competition), we have received approximately 1500 of them and, as of today, we are one of the largest holders in Russia of investment projects. Currently work is being done to bring them up to Western standards. It must be said that not many organizations have sent us projects that conform to international requirements. Among the exceptions are 150 projects from Nizhniy Novgorod Oblast, which was published, one might state incidentally, in an appendix to DELOVOY MIR. Approximately 400 projects have undergone machine processing—within just a few minutes they can be shown on the displays of our computers and sent out by E-mail.

The second block that has also been created already is the supply and demand block. Possessing a powerful information base, we are able to render essential services to the Russian regions and enterprises in the search for markets for selling their output (they frequently are limited to the market in a single country, and not infrequently obtain information about the market situation from a middleman firm, which information is not always objective). We provide a broad picture of the world market, and, by knowing it, the enterprise can change the addresses of their shipments and can reorient their ties, at which time we guarantee that they are dealing with a serious firm, rather than with one where the telephone is answered today but remains silent tomorrow...

At the present time the EIC is forming two more blocks. One of them is the investor block, which will contain a description of the investors in various countries who are actually working in the Russian market. This

information is necessary for implementing the projects and for creating joint ventures.

Finally, the fourth block, that contains the data base for holding exhibitions. Currently, in particular, our trade representation is preparing an exhibition-presentation on Siberia. Its purpose is to attract to that region as large a number of Western partners as possible. Unfortunately, we have not had any experience in presenting series-production output, and therefore, not infrequently, our exhibitions do not provide an economic effect. There is a world level for articles which, as is well known, we rarely achieve, and a world level for demonstrating output, which Russia has not mastered. The EIC has undertaken this problem with the consent of IBEC administrator Davydov and First Vice-Premier Anatoliy Chubays. From our point of view, the exhibition-presentation is not only a demonstration of what an enterprise or region is producing, but also of what their capabilities are, and therefore it is also necessary to demonstrate the investment projects whose implementation will make it possible to achieve a new quality level in the articles.

This is also information for the foreign partner concerning the legislation, taxes, and customs rules that he will encounter in a particular region of Russia. Exhibitions of this kind must expand the circle of countries investing funds in the Russian economy. Take Great Britain, for example. The possibilities of that powerful financial center are tremendous, but, for the time being, there are very few English business people in the Russian market. We hope that the exhibition-presentation on Siberia will help to change that situation.

***Decree Implementing Edict on Russia-Belarus Customs Union**

954E1152A Moscow ROSSIYSKAYA GAZETA
in Russian 5 Jul 95 p 4

[Russian Federation Government Decree "On Measures To Implement Russian Federation Presidential Edict No. 525 of May 25, 1995, 'On Abolishing Customs Controls on the Russian Federation's Border With the Republic of Belarus'"]

[FBIS Translated Text] In accordance with Russian Federation Presidential Edict No. 525 of May 25, 1995, "On Abolishing Customs Controls on the Russian Federation's Border With the Republic of Belarus," the Russian Federation Government hereby resolves:

1. To direct the Russian Federation State Customs Committee to abolish customs controls and customs processing for Russian commodities and commodities originating on the territory of the Republic of Belarus or released for free turnover in the Republic of Belarus.

To confirm the plan and schedule of measures submitted by the Russian Federation State Customs Committee

for lifting customs controls on the Russian Federation's border with the Republic of Belarus.

2. To authorize the Russian Federation State Customs Committee to use the Russian Federation Customs Development Fund to finance up to 20 percent of the outlays envisioned in the cost estimate for outfitting the external customs border of the Republic of Belarus confirmed by the Belorussian side with the concurrence of the Russian Federation State Customs Committee, as well as the cost of maintaining a Russian Federation customs service mission to the Republic of Belarus customs service, within the scope of the funds envisioned in the cost estimate for the operation of the Russian Federation customs system.

3. To direct the Russian Federation State Customs Committee, in conjunction with the Russian Federation State Property Committee and the Bryansk, Pskov, and Smolensk Oblast Administrations, to resolve the matter of the use of customs infrastructure facilities on the Russian-Belarusian border, with a view to their sale on a compensation basis to interested organizations.

4. To direct the Russian Federal Employment Service, in conjunction with the Bryansk, Pskov, and Smolensk Oblast Administrations, to provide assistance to Russian Federation customs agencies in finding employment for laid-off personnel in accordance with Russian Federation legislation.

5. To establish that customs control with respect to commodities imported into the customs territory of the Russian Federation or exported from that territory before May 26, 1995, under the customs regime of processing under customs control and of processing outside the customs territory and temporary import or export shall be exercised by Russian Federation customs agencies pending the termination of these regimes in accordance with Russian Federation customs legislation.

6. In connection with the abolishment of customs controls on the Russian Federation's border with the Republic of Belarus, to direct the Russian Federation Ministry of Foreign Economic Relations, the Russian Federal Currency and Export Control Service, the Russian Federation Ministry of Nuclear Power, the Russian Federation Ministry of Internal Affairs, the Russian Federation Ministry of Health and the Medical Industry, the Russian Federation Ministry of Culture, the Russian Federation Ministry of Communications, the Russian Federation Ministry of Agriculture and Food, the Russian Federation Ministry of Environmental Protection and Natural Resources, the Russian Federation State Committee for Sanitary and Epidemiological Supervision, the Russian Federation Committee for Standardization, Metrology and Certification, the Russian Fed-

eration State Committee for Military Technical Policy, and the Russian Federation President's Federal Government Communications and Information Agency, as well as other federal executive agencies, the Nitro-Vzryv Joint-Stock Company, and other relevant organizations charged with monitoring imports and exports of commodities, in conjunction with the Russian Federation Ministry of Foreign Affairs, to adopt measures within one week to protect the Russian Federation's interests in the field of state security, public order, public health and morals, cultural and historical heritage, and rare plants and animals and to meet the international obligations of the Russian Federation.

With respect to matters requiring decisions by the Russian Federation Government, the above agencies and organizations shall submit proposals in the established procedure.

7. To direct the Russian Federation State Statistics Committee to keep statistics on the Russian Federation's trade with the Republic of Belarus as of 1 September 1995, and to submit such statistics quarterly to the Russian Federation State Customs Committee, the Russian Federation Ministry of Economics, the Russian Federation Ministry of Foreign Economic Relations, and the Russian Federation Ministry for Cooperation with the Member States of the Commonwealth of Independent States.

[Signed] V. Chernomyrdin, chairman of the Russian Federation Government

***St. Petersburg, Belarus Sign Trade, Cooperation Agreement**

954E1161A Moscow KOMMERSANT DAILY
in Russian 22 Jun 95 p 2

[Article by Sergey Slyusarenko: "The Sun Warming Belarus Rises in the Northeast: St. Petersburg Concludes Agreement With Belarus"]

[FBIS Translated Text] At the beginning of this week a new framework agreement with Belarus was added to those already signed by the St. Petersburg mayor's office with Poland, Bulgaria, Lithuania, and Finland. Belarus' President Aleksandr Lukashenko is confident that his republic will sign a similar document in the near future with the Moscow government too. At least the preparatory work is under way: Lukashenko has already talked repeatedly with Moscow Mayor Yuriy Luzhkov. On the other hand, the fact that Moscow and St. Petersburg are showing increased interest specifically in Belarus is perfectly understandable. For all intents and purposes, there are no customs barriers and none of the corresponding customs duties between it and Russia.

It is Belarus that has traditionally supplied both Russian capitals with food, especially potatoes and meat.

Minsk: Aligning Itself With the East

It is no accident that Belarus has cast its gaze on St. Petersburg; there are 300 joint ventures involving Belarusian capital in the city. Moreover, more than 100,000 ethnic Belarusians live there (incidentally, more than in Moscow).

After signing the agreement, both Lukashenko and Sobchak noted that it fully agrees with the Russian-Belarusian intergovernmental agreements "On Friendship and Good-Neighborliness" and "On Strengthening Trade and Economic Relations."

St. Petersburg's agreement with Belarus supports the establishment of joint ventures and financial-industrial groups, the development and implementation of investment projects, and the establishment of trading houses and business centers. In addition, the St. Petersburg government promises to assist with the trans-shipment of the Belarusian Republic's export and import cargo through the city's commercial seaport. Lukashenko promised (granted, this was not included in the text of the agreement) to provide St. Petersburg goods headed for the West with their own trans-shipment depots, "well equipped and guarded." Interest has already been shown in the agreement by the Samson Joint-Stock Company (the region's largest meat-packing combine), the Kirov Plant Joint-Stock Company, the Elektrosila Joint-Stock Company, the Metal Plant Joint-Stock Company, and others.

According to the agreement that was signed, the following key types of products will be delivered from St. Petersburg to Belarus in 1995: thin-walled arc-weld pipe, steel gas pipe, rolled ferrous-metal stock, rolled copper stock, rolled bronze stock, rolled aluminum stock, rolled brass stock, aluminum foil, rolled zinc stock, V-belts, conveyor belts, electric welding equipment, alkaline batteries, low-voltage equipment, linoleum, carburetors, and ignition locks. In turn, the following will be shipped from Belarus to St. Petersburg: electrical appliances (drills, tea kettles, irons), washing machines, communications equipment (micro automatic telephone centers; telephone equipment; simplex radio communications stations for the Ministry of Internal Affairs, Ministry of Railroads, and the power engineering and petroleum industries; and duplex pads), medical equipment, computer hardware, knitwear and garments, fabric of all types, artificial fur, leather accessories, and foodstuffs.

In addition to the reciprocal deliveries, a whole series of joint projects will be carried out. The most realistic of them include: direct deliveries of meat from Belarus to

St. Petersburg, the establishment of a joint venture for the production and servicing of elevator equipment, the opening at the Kirov Plant of a production line for the latest Polesye 710 combines (assembly of the base units will be done in Belarus), and the replacement of turbine generators at most Belarusian electric power plants that have exceeded their normal service life.

The fact that the agreement between the city and the republic was preceded by an agreement between St. Petersburg and Leningrad Oblast accentuates the significance of St. Petersburg-Belarusian ties. Both the oblast and the republic are getting ready to become principal suppliers of agricultural products to St. Petersburg. The city, naturally, has an interest in both. Thus, the mayor's office unexpectedly found itself with a real choice, which theoretically should prompt the food suppliers to lower their prices. Yet St. Petersburg's food market is already controlled by local commercial entities that sell goods imported from third countries. Granted, it appears that these problems did not worry Lukashenko and Sobchak. They did their utmost to demonstrate their touching friendship. Its apotheosis was Lukashenko's statement that a politician of Sobchak's magnitude should unquestionably run as a candidate in Russia's upcoming presidential elections, to which Sobchak modestly noted that he was perfectly content with reelection as mayor of St. Petersburg.

The Same Parties and a Chinese Delegation

The Belarusian Government's export plans are not limited to St. Petersburg; they are impressing in scope. In addition to Moscow, St. Petersburg, and other Russian regions, Beijing figures into them. A 600-person PRC delegation headed by State Council Chairman Li Peng is presently in Minsk. As Aleksandr Lukashenko announced, the Chinese are very much interested in Belarusian enterprises that specialize in the production of electronics and computer and military hardware.

However, whereas the Belarusian leadership is only hoping to make friends with the Chinese side, it is trying, in Lukashenko's words, to restore its former friendship with Russian regions.

***Draft Laws Intended To Attract Foreign Investment Evaluated**

954E1161B Moscow KOMMERSANT DAILY
in Russian 20 Jun 95 p 8

[Article by newspaper's economic policy department: "Legislation's Purpose Is To Change the Minds of Foreign Investors"]

[FBIS Translated Text] Russian legislators face an extremely difficult task: to persuade foreign investors to

invest capital in Russia, despite the fact that investments in countries in crisis are currently unpopular among the representatives of Western capital. Particular hopes are pinned on documents pertaining to petroleum extraction and protection of intellectual property rights.

The idea of surmounting economic crisis in the developing and post-socialist countries with the help of foreign investments has been noticeably losing popularity lately. Investors were already extremely cool toward those countries and were by no means burning with desire to help bankrupt states, and since the sensational collapse of the Mexican economy, they have been altogether a bit afraid of them. It is particularly noteworthy that even the IMF and World Bank, which were previously the main advocates of foreign investments in the countries undergoing reform, are now recommending that reliance be placed on internal investments. Those recommendations, however, are debatable too, since internal investments are nearly more problematical than foreign investments; while Western capital does not want to invest money in countries in crisis, national capital in those countries simply does not have the required money. Therefore local governments have not abandoned hopes of somehow changing the minds of foreign investors.

Along these lines, Russia, for example, is counting primarily on the natural resources it still has on its territory. In this connection, the draft Law on Production-Sharing Agreements, which the State Duma passed last week on second and third readings simultaneously, merits special attention. It provides procedures for developing Russian minerals, especially oil, that are of maximum convenience for foreign investors. Within 30 days from the time that a production-sharing agreement is signed with representatives of federal and local authorities, the federal agency for management of state underground resources is to issue the investor a license, and he is to obtain use of the parcel of underground resources and may begin extraction immediately. All of his expenditures are supposed to be compensated by the output produced, and the part of the output that constitutes a profit will be divided between the investor and the state. The mineral raw materials of which the investor receives ownership under the terms of the agreement may be exported from Russia's customs territory without any restrictions, and also (which is of no small importance) without any mandatory requirements that the raw materials be sold through specific organizations. Finally, except for the profits tax and charges for the use of underground resources, for the duration of the agreement the investor is exempt from paying taxes, fees, and duties, including customs duties, excise taxes, and other payments. The draft proclaims that for the duration of the agreement, the commercial conditions of the investor's activity may not, under any circumstances, be

worsened; that is, he is granted immunity against any unfavorable changes in laws.

Naturally, in passing such a law the authorities are concerned not only with the investors' interests but also with their own. The "profit" share of the extracted raw material that is turned over to the state, as the owner of the underground resources, will be exported by the state to augment Russia's foreign exchange reserves—in particular, the passage of the production-sharing law means the resumption of state petroleum exports. In this connection, the authorities would like for there to be more of such petroleum. Therefore, they intend to see to it that the part of production that is turned over to the investor as compensation for his expenditures on development (and that, accordingly, reduces profits) is not too great. The decree "On Measures To Stabilize the Social and Economic Situation in Tyumen Oblast and the Khanty-Mansi and Yamal-Nenets Autonomous Okrugs" treats this matter separately—local administrations are supposed to clear with the Ministry of Economics the maximum amount of mineral raw materials that are to be turned over to the investor/user of the underground resources to compensate his expenditures for the development of relatively unproductive and residual petroleum reserves.

In addition to the problem of the use of underground resources, foreign investors are traditionally interested in yet another issue in countries such as Russia: the protection of intellectual property. In today's world, most investments ultimately involve the use of new technologies, and the holders of rights to those technologies by no means want to see them copied for free. (This is not to mention the fact that a country where intellectual property rights are not regulated cannot, in today's world, aspire to full-fledged participation in international trade, a limitation which naturally reduces its changes to attract investments.) That is why lately Russian authorities have been emphatically vigorous in their efforts to bring legislation on intellectual property up to par. The draft Law on Employee Inventions, Usable Models, and Industrial Prototypes, which the State Duma has passed on its first reading, is noteworthy; it pertains to one of the most acute problems in the realm of intellectual property: commercial rights to inventions made by the employees of firms and enterprises. The draft law solves this problem as follows: the right to obtain a patent belongs to the employer if the invention was made in the course of an employee's performance of his official duties or a specific assignment. In all other cases, the patent is to be issued to the employee, even if he used the employer's information and material resources in making the invention.

Political Issues

*Kiva Supports Chernomyrdin on Economic Policy

954Q0256A Moscow DELOVOY MIR in Russian
1 Jul 95 p 2

[Article by Aleksey Kiva under the rubric "Politics and Society": "Futurological Studies in the Face of the Failure of Russian Liberalism (And Once Again the Traditional Russian Question: What Is To Be Done?)"]

[FBIS Translated Text] Although it is believed that history has many variants, in fact the variant which has the most chance of being realized is realized. And that is that! You can moan and groan, curse everyone and everything, beat yourself hysterically, or smash your head against a wall, but what happened is what should have happened. So you can curse Gorbachev for undermining socialism and the USSR from within. You can curse Yeltsin for the Declaration of Russian Sovereignty, the Belovezhskiy agreements, and so on. You can hate Gaydar for shock therapy. But that is how history goes. It goes more spontaneously and according to its own logic than by order. In any case, the results are usually completely different from what the "makers of history" expected. Gorbachev had no idea that the perestroika that he began would lead to the demise of socialism and the USSR, and for himself, to his political downfall. And you either accept the "stubborn behavior" of history and make peace with the consequences, or you take up the path of resistance and inevitably suffer crushing defeat.

Some go so far as to talk about the "genetic code of history"; they speak of a kind of fatal predetermination, often referring to Nostradamus. But I think that there are laws of the movement of history which are simply not understood.

Can Kings Do Anything?

The variant realized by history is ultimately the answer to the challenge of the time. In other words, it is dictated by historical necessity. History is rational to the degree that it is necessary to find a way for society to resolve a crisis, an impasse. But neither the category of morality nor calculating many moves ahead is characteristic of it. And if they are, then it is outside the realm of our understanding and is truly a kind of higher predestination.

What the Bolsheviks proposed for Russia was truly within the framework of historical necessity. An end to the war. Allocation of land to the peasants. Equality of nations and nationalities in terms of laws. Modernization of the country, including industrialization, development of a system of enlightenment, education, science, and so on. But why they ultimately brought the country to an

impasse and even condemned it to collapse is a much more complicated question. Either because they did not fulfill the promises given to the people and simply deceived them; or society, which in one way or another collaborated in their crimes, had to pay the piper; or, figuratively speaking, after pointing the way out of the impasse to Russia, history declined responsibility for the country's future steps.

Society, like man, always has certain limits. If it goes beyond them, retribution is inevitable. The only question is to what degree this is recognized. And here is a fresh example. Look at everything Aleksandr Lukashenko said at the height of the pre-election struggle, and even earlier, when he was a deputy. But after becoming president of Belorussia [Belarus], he follows roughly the same line as his predecessor did. For the limits of the possible are too narrow. On the one hand is Russia, and on the other—the West; their positions must be reckoned with. They may not be reckoned with, of course, but then the country would find itself in the position of Iraq, Cuba, and North Korea. In contemporary conditions, challenging the world community is dangerous.

I already expressed the viewpoint at one time that in principle any force which comes to power in Russia in its present state and position in the world will ultimately do as historical necessity dictates, and, moreover, the results will be roughly the same for the long and even the medium term. The only trouble is that we are still a military superpower, and in our conditions, we can inflict such chaos in a month, in a week, or even in a day that generations of people will have to deal with it.

Whether we like it or not, after the dissolution of the USSR and the failure of socialism with its planned economy; after we lagged behind once again, which occurred literally before our eyes when people began to speak of the need to re-industrialize; and after the depletion of those enormous resources which our country had at the start of the Bolshevik revolution and after the pollution of the environment which was catastrophic in terms of its consequences, under no conditions will we be able, relying only on our own efforts, to repeat the leap on the path of economic and scientific-technical progress which was accomplished by Bolshevik Russia. We can come to be a prosperous country only as an integral part of the world community.

Today even historical necessity is different and the limits of the possible are different and much narrower than they used to be. Consequently, if we do not want to self-destruct as a great nation, the following things have been ordered for us in advance:

a) fruitless searches for some (not found anywhere in the world) "third path" of social development; b) new militarization; c) new isolationism and new confrontation.

In exactly the same way, whether we like the "party of power," that is to say, Viktor Chernomyrdin's centrist bloc, or not, that is precisely the organization or the type of organization to which Russia's progress is linked.

What is needed to bring the country's economy out of the present crisis, to resolve the problem of the disastrous deterioration of the machinery pool, and to break through into the 21st century? Capital. New equipment. New technologies. Know-how. A modern type of entrepreneur. A modern type of manager. A modern type of highly professional bureaucrat. A modern type of work force. Western aid. Western experience. And all that is in one way or another linked to the "party of power."

But what do we need to ensure that our ship of democracy, if it is trying to reach the given objective at full speed, is not swamped by a mighty wave of social rage? Expansion of the social base of the reforms, involvement of new people, new ideas, and new plans in terms of adjusting the reforms and orienting them to human needs in the process of renovating the country. We also need new unifying ideas, and an attractive social ideal, and understanding of the methods, ways, and means to regenerate lofty spirituality, and other things. The present authorities have proven to be incapable of doing this. The present parties are also not quite suitable for accomplishing these tasks.

In all countries, parties and organizations with social-democratic and left-centrist orientations have been capable of accomplishing these tasks. I do not know what will come about as a result of Ivan Rybkin's plan, but it is beyond a doubt that we need a powerful bloc of socially oriented constructive forces to the left, much more to the left, of Gaydar's liberal-conservative party.

To put it bluntly, the one political force ensures the creation of an economic and social base of post-socialism (I do not exactly know what we would call this order which will come to replace real or state socialism) as quickly as possible, while the other backs it up and when necessary replaces it at the helm of state.

Marginals Are Combustible Social Material but Not the Makers of History

At the same time, it is perfectly obvious that the future progress of post-communist Russia in the present stage is not related to the "first-wave" democratic movement. To be more precise, "Democratic Russia" or "Russia's Democratic Choice," nor to a number of other parties,

organizations, and blocs where the tone is set by the intelligentsia of the capital, who reflect the interests of an insignificant minority of Russian citizens. Those forces which are able to ensure Russia's progress on the eve of the new millennium do not support these parties.

The Russian intelligentsia which arose in the country's specific conditions and in the depths of traditional society and which represents a special world phenomenon is, with the development of market relations and representative democracy, doomed. Essentially it already sensed its doom and began to abandon the ranks of the reformers literally from the first months of the Gaydar reforms. Some simply left their work. Some switched (and are switching) to the ranks of the so-called democratic opposition to the democratic government. Some replenished the camp of the implacable opposition. And some lost their heads and began thrashing around anxiously.

The intellectuals, that is to say people who are not above society and earn their bread through intellectual labor, will take the place of the intelligentsia. That is if they can; if not, they will earn their money by physical labor, making no claims against the authorities. As in the countries of the Old and New World. Everywhere. And it is already clear without laying claim to the role of public teachers, "public leaders," or "engineers of human souls." The enormous overproduction of intelligentsia, especially technical intelligentsia, in the Soviet Union and accordingly the superfluousness of a considerable number of the intelligentsia at the present time, the disastrous situation, and uncertain views of the future, on the one hand, and the intelligentsia elite's loss of their former privileged position, on the other, make the intelligentsia a conservative if not a reactionary force in relation to the course of history. And that is a common pattern when political and other elites are replaced.

The Most Dangerous Devastation Is Devastation in Peoples' Minds

Bulgakov's Professor Preobrazhenskiy is absolutely right that devastation begins in people's minds. And it begins when the reformers themselves do not understand (or pretend not to understand) cause and effect relationships. They do not understand what grows out of what and where the present enormous social differentiation and the corruption, crime, and many other antisocial, amoral phenomena which have erupted with unprecedented force came from. And when Gaydar and B. Fedorov say that they have nothing to do with it and that it did not happen when they were in power, if they had been, things would have been different, it simply amazes me. Either it is cunning or holy innocence.

In my opinion, what mistakes did our reformers make and what should the Russian intellectual elite have done but did not do that harmed our development?

FIRST, the phase of "savage capitalism" could have been avoided. In any case in those unbridled and even destructive manifestations of it which are familiar to us. I did not hear a single major Western economist say that state intervention in the stage of the transition from the nonmarket to the market economy should be much more pronounced. There was no such orgy of spontaneous market activity either in the West, notably in post-war FRG, or certainly not in the East, for example in Japan, not to mention South Korea and other new industrial countries.

But if by freeing the spontaneous nature of the market and forcing privatization, the Gaydar reformers were trying to destroy the economic foundation of the totalitarian order as quickly as possible, on the one hand, and to create as many owners as possible in the country, on the other (which was in fact most likely the main objective), then it is improper for them now, when they are not in power, to take the posture, "That's not me, it is no concern of mine," announcing that their own offspring is "corrupted, bureaucratic, amoral capitalism."

Easy money generally degrades people, and excessively fast redistribution of property on a colossal scale is simply certain to be accompanied by the appearance of a whole bouquet of evil. And how could it be otherwise? It is twice as improper and simply ugly to blame the present government of Viktor Chernomyrdin for this and for the monstrous social contrasts and for the social deprivation of Russian citizens. Chernomyrdin merely accepted the rules of the game which were already established under Gaydar, at the same time trying somehow to mitigate the social consequences of the reforms, for it was precisely under Gaydar and B. Fedorov that many Russian citizens were not paid wages for months, while scientific workers, teachers, doctors, and so forth found themselves simply in disastrous condition. I beg your pardon, but I experienced that myself, and it was precisely under Chernomyrdin that changes for the better occurred.

SECOND, the democratic political elite, the politicized intelligentsia, which at various times was close to the new establishment if it did not work for the establishment, was unable to prevent the onset of the time of troubles ["smuta"]. In my opinion, it did not even set itself such an objective. Moreover, it did not recognize the existence of this problem. The low level of understanding of the patterns of the transition period from a totalitarian society to a democratic one is perfectly shocking! Our quasi-

Westerners who set the tone in the mass information media are always measuring things against the West and constantly referring to the idea that in "civilized countries," this and that are done differently, and that in a "democratic society," this and that are not practiced. There is most likely some truth in this, but not the whole truth. But what does that have to do with us? We are a transitional society and we still have a long, long way to go, two or three decades at least, to a mature and, let us note, well-fed democratic society.

What is a time of troubles? It is by no means just material hardships. We have gone through plenty of those! A time of troubles begins during such social catastrophes as the dissolution of the USSR and the failure of the system, when there is a drastic change in orientations and values and one's former status and former niche in life are lost. And it appears in the disorientation of broad strata of the population and in the build up of tension. It seems to them that everything they have worked and lived for will be destroyed and there is no hope for the future either for them or for their children and grandchildren.

There was, in fact, no dialogue with the people. There was not even an attempt to explain to them what stages and phases we will have to go through until we reach a proper quality of life. The question of what we want to build in place of real socialism was persistently evaded. Some people simply did not know. Others simply wanted life to be good, as good as "over there." Yet others like Gaydar proved to be captivated with building good capitalism in Russia, afraid, of course, to speak of this openly. Especially since "over there" people had not been talking of capitalism for a long time. It was already post-capitalism there.

THIRD, a considerable number of the new political elite and the liberal democratic intelligentsia showed a surprising inability to look at the surrounding world not through the eyes of their small "group" but through the eyes of that "silent majority" which during national elections may begin to speak openly in favor of the communists, Zhirinovskiy-ites, and so on, but certainly not the democrats. Recently I have had quite frequent occasion to attend various types of democratically oriented forums. What is striking practically every time? The fact that talk of civil rights and freedoms, of social and moral priorities, and of the kind of government Russia should have and in light of that the kind of social model which should triumph seemed to take place to please the capital intelligentsia itself with no consideration of the real ratio of forces in society or of what most Russian citizens think about this.

In December 1993 this kind of behavior spoiled the celebration of the new political year for the democrats, and in December 1995 there may already be talk of a wake.

FOURTH, many of those who consider themselves democrats even now do not understand that such drastic changes as we have been experiencing in recent years lead to powerful social overload and fatigue. There are many more changes than the average Russian citizen can assimilate. At the same time, the hotheads from the democratic camp, captivated by the itch of neo-Bolshevik revolutionism, would like to encourage our spurt forward even more.

And we already hear voices talking of the "nomenklatura interception of the democratic revolution," its "thermidorian regeneration," and even a "new time of stagnation." Just as we also hear the following slogans: "Let's do it!" "Let's do it!" "Forward!" "Forward, Russia!" But in fact, for revolution not to become extremism of the Jacobin or Bolshevik type and not to become the victim of the revanchists to the complete indifference of the masses, they must, figuratively speaking, "self-thermidorize." Reduce speed, absorb what has been accomplished, fortify the rear areas, and gather strength. Theoretically speaking, we need a historical compromise of the forces of the new and the old order.

FIFTH, just where did the absurd idea that a planned noncompetitive economy can be included in the world competitive milieu without any transition period without completely destroying it in the process come from? The new industrial countries developed along with the development of "import replacement," but we are trying to move Russia forward by means of "export replacement." Japan even now protects its economy, especially agriculture. Indeed, our "Forward-ists" ["vperedovtsy"] cannot be understood with the mind. But most likely one can measure many adepts of the "quasi-neo-freetrademism," in particular in the mass information media, in "greenbacks".

So, if we want to maintain the strategic course of market reforms and preserve completely democratic ways and a democratic constitution in order to gradually, year by year and decade by decade, build up, if one may say, civilized potential, the country must go through a kind of period of conservation. But if the traditional Russian "Manilov phenomenon" is dearer to us and the desire to drop the bird in the hand for the sake of two in the bush is inescapable, then we must use all means to debunk and discredit what has already been achieved, including young Russian democracy. And at the same time and in all possible ways revile those who, facing

the bankruptcy of Russian liberalism, have resolved to save the situation by organizing new voting blocs.

And if it has come to that, then in the periods of the most difficult trials which have befallen our country in recent years, the leader of the "party of power," Viktor Chernomyrdin, has behaved and is truly behaving as a subtle politician and an intelligent and decisive statesman.

And one more thing. If the "party of power" loses in the next parliamentary elections and if Ivan Rybkin does not manage to create a solid left-centrist bloc and the democrats, separately or together, do not subdue the voter, our hopes to win time from history in order to strengthen the foundations of the post-socialist social order will also collapse.

Shcherbakov on Political, Economic Views

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[Interview with V. Shcherbakov, by Aleksandr Misharin, under rubric "As 'Public Relations'": "The Time Is Now!"]

[FBIS Translated Text] Our conversational partner is Vladimir Ivanovich Shcherbakov. In the recent past he was the first vice-premier of the union government. Today he is the president of the Interprivatizatsiya [Interprivatization] Foundation and chairman of the Russian Joint Industrial Party (RJIP); professor, doctor of economic sciences.

[Introduction] It is difficult to call Shcherbakov a "lucky man." Fate did not give him anything for free. Vladimir Ivanovich was born at a remote airfield in the Far East. His father was an air navigator, and his mother was a nurse. Together with his parents, he lived a nomadic life "in the boondocks" at remote airfields. He attended a military school; he himself wanted to go there, and, in addition, his father had died early... subsequently he lived at a boarding school for children from poor families, then in a student dormitory. Then he made the transition to the nighttime and correspondence department, went to work, and again lived in a dormitory.

Something that helped him considerably and hardened his character was sports: first bicycling, and then wrestling. It is not by accident that Vladimir Ivanovich considers Vladimir Petrovich Petrov, the Samara bicycling coach, to be one of his most important teachers.

In general, he was lucky to have good people in his life. Zh. Ravva, professor at the Togliatti Polytechnical Institute; P. Katsura, economic director of VAZ [Volga

Automobile Plant]; N. Polyakov, the legendary builder and first director of VAZ — the already completely successful Shcherbakov mentions all of them with gratitude and deep respect. After all, gratitude is not one of the worst qualities.

VAZ is a separate topic of discussion. It is precisely from there that Vladimir Shcherbakov took off into the air: KamAZ [Kama Motor Vehicle Plant] director, minister, and finally the first vice-premier of a country. Yes, that country was the USSR.

[Interview begins]

[Misharin] Vladimir Ivanovich, I remember your press conference in London in 1991. At that time you were very confident, or even self-confident. And you spoke optimistically about the future of the Union. But soon the events of August occurred and you, with a group of other Union administrators, went off to the side.

I know that you did not sit idle for those four years, because today you are a major and independent financial figure. Now there is the Industrial Party and participation in the forthcoming election. Does this mean that the time has come to "collect stones"?

[Shcherbakov] Yes, I myself can recall London and that atmosphere... I shall say just one thing — at that time I was justified in having confidence both in myself and in the future of the Union. What gave me hope and optimism was my faith in the success of a rather successful program — it was called the Anti-Crisis Program For the Joint Efforts of the USSR Government and the Governments of the Union Republics. If you remember, June and July of 1991 were a very difficult period, a period of an acute threat that the Union might collapse. Political groups with completely different orientation markers got intertwined in the skirmish. One group — the one headed by Gorbachev, Lukyanov, and Nishanov (and, incidentally, there were also internal differences of opinion among them) — attempted to use political means to cement the Union together. Another group — its leaders are well known — was opposed to that policy. The latter group acted as a well-consolidated and well-organized team, the importance of which cannot be minimized.

Today there are probably few who remember what the "500 Days" program represented. That program has gone down in our history as a program of expectations that did not come true — but actually it was a well thought-out program for the downfall of the USSR, its downfall as a state. Working behind the screen provided by Yavlinskiy, Fedorov, and Burbulis were influential political forces and major capital — primarily American. The "500 Days" program was born with

the active participation of specialists acting under the flags of "Harvard University." Actually, the only person there who was from Harvard was (Dzheffri Saks). The others were well-trained professionals in the field of intelligence who purposefully and precisely directed the political show at that time.

Even then it was clear to me what the economic cutting edge of that program was directed at. Today everything has been verified in action, because what Gaydar and Chubays did literally reproduced the "500 Days" scheme. Perhaps there was only a tiny discrepancy with the time period — they did not cope with the situation in 500 days, but in 900.

The central point in that program (but no one mentions that point, and Yavlinskiy prefers to bypass this question, which is so slippery and dangerous for himself) — the thesis that it will be impossible to achieve political unity within the framework of the USSR — today has been, essentially speaking, fulfilled.

But at that time there was yet another group working intensively (the menial labor in which was headed by me): we put our stake not on political forms for preserving the Union, as Gorbachev did, but upon economic forms — within the framework of a new treaty, on a single economic basis. It is understandable that our group worked closely with Gorbachev and opposed the populist "500 Days." I, for example, stated absolutely everywhere that I did not believe in the implementation of that program: "There cannot be any economic union without political union! Just as political union without economic union is impossible!"

Despite the basic complexities, by the spring of 1991 we created a joint actions program that was signed by 13 republics (all of them would have signed in the summer) — Estonia and Latvia were in agreement with the meaningful part, but did not want to act as "subordinate" republics of the USSR and proposed concluding special intergovernmental agreements between the governments of the USSR and each republic. I was completely convinced that the implementation of that program would enable us to get out of the impasse into which the country was collapsing before our eyes.

[Misharin] Your statements on television were, in any case, extremely conclusive. I personally, for example, got the impression that we did not have any apocalyptic situation. That is, one was seemingly being thrust onto us, but in reality that was not so. That is why I asked the question: was that confidence or self-confidence?

[Shcherbakov] No, it was not self-confidence. There was confidence in victory, such as an experienced pilot has — the situation is complicated, but he "feels" the

aircraft. And he knows: yes, I'll get the aircraft out of this. If, of course, there is not a direct hit. Do you remember what I said in all my interviews: a thin layer of stabilization ice has appeared. Let's not break it. We need two or three more months, and then the icy crust will turn into reliable ice.

But, unfortunately, the circumstances developed in a completely different way... In 1991 I left politics. If you recall my last speech at the session of the USSR Supreme Soviet, it ended with a demand for the immediate signing of the Union Treaty — "otherwise an extremely difficult catastrophe is waiting ahead for us." "Extremely!" — I already realized the direction in which the events were developing. I knew that if the political passions and ambitions were not stopped immediately, the centrifugal forces would tear everything apart: both the economy and the state. I left despite the repeated requests by M. Gorbachev: "Wait a while! Don't get excited! Don't leave!" I realized that the Committee for the Operational Administration of the Country — much less M. S. Gorbachev — would no longer be able to master the situation. And if I were to participate further in the government's work, I would be able only to observe the collapse of the Union.

I was offered responsible positions later — even when the government was being formed after Gaydar's departure. But I felt that it was not the right circumstance. Professionalism was not required, but, rather, politicians with a specific orientation. The political intrigue had already developed, and that intrigue today is only getting stronger.

[Misharin] Vladimir Ivanovich, I would like our conversation to be sufficiently broad, and therefore I have a few questions that do not pertain directly to your professional activities. What, for example, did you read during those days and months that were so difficult for you? Who supported you spiritually? Did you, for example, turn to the Bible?

[Shcherbakov] In general, I am an atheist. It's not that I completely deny God. I want to believe that there is something holy and higher, that "there is God's court, which is not subject to the spirit of gold..." But I do not participate in church rituals.

So at that difficult time that you are talking about, I studiously read everything by Karamzin, Solov'yev, and Vitte. I probably read through them about twice. I carefully studied the documents on serfdom and emancipation. I read a large number of memoirs and works by Bonch-Bruyevich, Krupskaya, Trotskiy, Bukharin, Kamenev... I realized that, in general, society develops logically... I began to get a clear idea of the direction in which events would develop in our historic situation.

[Misharin] Vladimir Ivanovich, there was a coup in August 1991. But what kind of coup was it? What was its scheme? Who were its participants?

[Shcherbakov] I think that there really wasn't any coup in 1991. Over a period of many years, steam had built up in the boiler that was called the USSR, and that steam was in critical quantity. And I cannot name a sphere of life in which that steam was not building up. All the models being employed in our state proved in the historical view not simply to be far-fetched and unpromising, but to be ones leading us down a blind alley. And our people were completely aware of that. I simply remember myself in 1981-1985. I was getting the impression, "something is not right." But I was working in my own sphere, and I was able to formulate what was "not right" in it. At that time I was not engaged in politics. But during the period approximately from 1988 through 1989 there was a kind of qualitative turning point in social awareness. And also in mine... I began to see the entire picture in a completely different way. Therefore, I think that what occurred in 1991 was not a coup, but the "lid being blown off the pot..." And all the accumulated steam — unfortunately, with a tremendous cloud of "foam" and slag — struck upwards... But October 1993, in my understanding, was a real coup.

[Misharin] A palace coup? Or, as someone recently wrote, "a showdown"?

[Shcherbakov] No! It would be naive to evaluate such a historic event as simply a "political showdown." Actually, there had been a very large collision between the representatives of two completely different systems. The ones who were victorious were those who proved to have the law-enforcement system and the army in their hands. What was victorious was power.

I think that, historically speaking, the year 1993 for Russia can be even "beneficial" — if it proves to be possible to protect the country against the rampant spread of totalitarianism. To hold onto society itself and, of course, Power.

That does not mean that I take an approving attitude to having the president apply force at such time. I am simply attempting to interpret for myself: "What would happen?" Let us imagine that we currently have a remarkable president, Rutskoy. Personally I do not find anything comforting in that idea.

[Misharin] This is what I think about often. We possess a tremendous amount of the dry land, and colossal natural wealth... But if we continue to manage affairs in this way, then according to what right, properly speaking, will wrussie occupy that tremendous space?

Because we are surrounded by rather intelligent and enterprising pretenders for our land...

[Shcherbakov] I would not dramatize that problem... Although we cannot remove from the agenda the question of whether Russia is gradually changing into a colony. If one looks at our economy, one can see two parallel processes. The first is the shutting down of domestic production and the deepening ineffectiveness of the remaining production in spheres that are vitally important for the state. Today Russia is unable, without the tremendous influx of imported food products, not only to feed itself normally, but is not even capable of surviving physically. Yes, we always used to lay in supplies of imported food products. But we bought them! For example, a third of the meat, a third of the oil, approximately one-fifth of the grain. We were very strongly tied to the importing of medicines. That is, we were always sensitive to import. But today that bond has become so solid that, whereas previously, say, an embargo on the shipments of food products to the USSR could strike a heavy blow, but the country was physically capable of surviving, today, I am afraid, an embargo would bring us to our knees. What is even more dangerous is the fact that we have become dependent upon the import of production itself. A self-sufficient in-kind economy always used to be cultivated in the USSR. The country was always ready for work in emergency conditions. Today our entire production will stop very quickly if it is not tied to import. The situation is ridiculous: the production of motor vehicles and output from light industry has fallen, but the import of rolled metal for motor vehicle production and of chemical fibers has increased! Meanwhile the volumes of production at metallurgical and textile enterprises have dropped by half. The tie has become inadmissibly solid. Today we are like alcoholics, like drug addicts.

Therefore another, no less dangerous, process is developing — in order to satisfy that morbid need for import we have to increase our export sharply. Moreover, whereas previously we would aggressively export not only raw materials, but also finished output, taking advantage of our political influence, today we simply do not have that opportunity. On the one hand — erroneously, simply because of insufficient understanding — we ourselves have begun to discontinue the commodity ties with the Third World, with Eastern Europe, and with the republics of the former USSR. On the other hand, we are being purposefully pushed out of there.

[Misharin] I think that you will probably agree with me that Russia's crisis is part of a global crisis, the crisis of a bipolar system. An important person once said that when Carthage was destroyed, Rome would sign its own sentence. America herself is in a very

complicated situation today. But let's not pity that poor country. Instead, let's talk about our own foreign policy.

[Shcherbakov] Foreign policy is a continuation of a country's economic policy, by means of other methods and in other spheres. In this sense, Russia had been catastrophically unsuccessful since 1917. Or even earlier. Russia traditionally was highly dependent upon other people's political ambitions and interests. That is to the detriment of the economy. Perhaps it is because of the fact that we are too rich in resources, we are too vast, that for us such losses as several billion dollars for the sake of political dividends — even if they are temporary or apparent — were always considered to be a trifling matter! Yes, it has been like that since ancient times. Nevertheless I am a supporter of the English approach. Russia does not have people who are "simply friends." It has long-term interest. I do not believe in "simple" friendship — if it is not substantiated (I have in mind, of course, foreign-political friendship) by clear economic ties and interests.

[Misharin] Social psychologists talk about periods of social schizophrenia. There have been thirty-year wars, and hundred-year wars, and we have already been floundering around for ten years, and the end of the tunnel is nowhere in sight...

[Shcherbakov] We have already objectively approached the next crucial stage — we have left the period of the complete collapse and disintegration and are approaching the point of stagnation. I have in mind the economy. The crux of the matter is that we have arrived at the limit of the technological capabilities for the drop in production. Whereas previously it was linked basically with the restructuring of the economy, today we have arrived at the brink of technological destruction. For example, a chemical plant. It can reduce production when there are no sales. But there is also a technologically critical point below which the plant must not reduce its production. It can be turned off only completely. It is not accidental today that many oil refineries, in order not to shut down, operate two days to distill crude oil into fuel oil, and the next two distill the fuel oil into crude oil.

I am not even mentioning the fact that, during this time, the repairing of the equipment has been stopped. All these endless emergencies: trains jump the track, units blow up — all these are an indicator that the technological state of the equipment has crossed the boundaries of the admissible safety standards.

That is why the question arises concerning what kind of policy is necessary in the future. What is capable of leading us out of stagnation? From the economic point of view (after all, I am an economist), there

are two theories. The first, which is preached by the government, is the so-called monetarist theory. It proceeds from the assumption that it is necessary to achieve financial stabilization, to suppress inflation, and then the market mechanism will untwist and begin to raise the economy. The authors proceed from the assumption that inflation is engendered by a large amount of excessive money in circulation. All that is necessary is to squeeze that monetary mass, and everyone, in the race for money will begin to increase production. I am absolutely convinced that this theory is erroneous. The monetarist theory can be applied to us with a very large amount of caution, since our production was built according to the military principles, rather than for the market. For 70 years we carried out one and the same line — specialization, the concentration of specialized production, the emphasis on tremendous, but narrowly specialized, plants which are very good for the military period. Therefore this kind of economy was easily regulated by directive. But it simply has not adapted to the market economy.

As for plants, there are a lot of them... But how are they to compete? How, for example, can the Volzhsk [or Volzhskiy] Automobile Plant compete with KamAZ? It's ridiculous!

Secondly, if inflation is the result of the fact that there is a lot of money, then I would like to ask: who has a lot of money?

The producer? Then there have to be plants which have enough of their own money, at least enough for one technological-production cycle. But there is not a single plant like that in Russia. Consequently, there is no extra money at the plants.

Or perhaps the banks have it? But if you add up all the money at the commercial banks, you won't get enough to restore even three plants of the Uralmash or ZIL type... Consequently, they also do not have sufficient funds.

Then who does have them? The population? Is it worthwhile to talk seriously about this if a student's scholarship is 13,000 [rubles], but a ticket in Moscow costs twice as much? If a university professor gets less than a door-keeper at a commercial firm? Or do doctors, teachers, engineers, or common laborers have a lot of money — people who have not been getting any wages for 3-4 months?

It turns out that no one has any free money.

However, the question lies somewhere else. What do we have to do — conquer inflation or suppress it? If we have to suppress it, then the government is doing everything correctly. It is necessary to limit income. To

withdraw money. And it may be felt that, with financial stabilization, the question is resolved. But that will be not financial stabilization, but the further driving of industry into its grave. But then the budget will not be able to get anything at all from a dead man.

How, then, do we get out of this situation? By one method only — it's necessary to increase production! It is precisely for that reason that the basic task of our party — the Joint Industrial Party — is to rebuild industry as a nucleus, as the basis of the entire economy!

[Misharin] But where is the money coming from, to get an upsurge in industry?

[Shcherbakov] There are three such sources. The first — and most important — one is that it is necessary to allow industry itself to earn that money. It is necessary not to confiscate it, but to channel it into production. Yes, the government says correctly, "We are providing the opportunity to allow the enterprises to keep that money. And they are channeling that money into the paying of wages."

But there is a mechanism for monitoring the movement of money that was developed long ago and was used in the USSR.

From the point of view of commodity-monetary circulation, the USSR national economy was the most unbalanced one. If you recall, in the USSR only 15 percent (and in recent years, 19 percent) of the entire output was intended for final consumption. The rest was intended for intraproduction or special consumption.

Nevertheless it proved to be possible for 70 years to maintain society without inflation. That means that there exist mechanisms for regulating commodity-monetary relations. A kind of regulation that does not produce outbursts of inflation. And those who say that this is impossible are speaking unprofessionally or are simply lying. These mechanisms are well known.

[Misharin] Am I correct in assuming that your opponents will immediately say that this is a return to the past?

[Shcherbakov] They will say that in any case. Actually, however, we can change over easily to planned financing. It must be said that money for wages is only money, but money for technical retooling is other money. It is necessary to ascertain the origin of money and to apply a flexible tax policy. If the money is from speculative transactions in the stock market, that is one thing. But if the income grows simultaneously with the production of goods and services, that is something completely different.

It is also necessary to reduce sharply the tax burden on industry, allowing it the opportunity to accumulate at least an investment reserve.

Another important source is money in the intra-Russian market: bank money and the population's money. Today the situation is paradoxical! The government says that it is planning to use that money... But actually it takes more and more money away from that market. Today there is nothing more profitable than operations with state securities. And the volume of state securities is constantly increasing. But meanwhile the statement is made: "There has been an increase in the possibility of investing bank and private money into industry"! That's absurd!

The third source of money is loans. How does a normal person live? If you do not have enough money, you go to your relatives. If they do not have enough money either, then you go to friends and acquaintances. Which is what the government does constantly — it begs for money abroad. But for what purposes? If those loans are used for the purpose of creating an investment infrastructure that encourages the influx of private money or for investment into places where the economy is rising, then that is correct! But actually the government is resolving other problems — it is covering current needs. As a result, we are simply eating up the credit. And there is something else: Western credit is being used to create the appearance that things are fine with the ruble. Funds are being thrown at the currency exchange in order to maintain the dollar exchange rate!

However, it has been known for a long time that it is impossible to correct the situation by intergovernmental credit alone. It is necessary to attract the West's private capital. But for the time being that capital is not coming to us very eagerly. Partially because of the lack of the investment infrastructure, but mostly because of the lack of a guarantee on the return of capital.

That means that it is necessary to invest money in insurance companies — and, at that, not Russian ones, but the widely known Western ones.

A dollar that has been invested in insurance provides the opportunity to protect \$10 in investments. And if one employs a system of re-insurance, then the ratio will become even better: one to 20. That means that if we were to get a loan of 2 billion from the Germans and invest it in a German insurance company, we would create the opportunity for German capital to invest 40 billion in Russia! Work like this can be done with each of the countries in the Group of 7. What is preventing us from getting a loan in this way from the World Bank? If the government devoted to this at least one year of work, it would create the conditions for attracting into the

Russian economy \$100-150 billion. And the situation, I assure you, would look completely different!

[Misharin] But is it necessary to renew the country's leadership? Doesn't the current leadership have sufficient qualifications?

[Shcherbakov] Well, this is a delicate and ambiguous question. Today's government — judged according to the branch principle — is very professional. The problem is that if a hospital has an excellent oncologist, an excellent ophthalmologist, and an excellent gynecologist, that definitely does not guarantee the curing of a patient who simultaneously has a blood disease, a boil, and a recently suffered heart attack.

We need people who are capable of understanding and interpreting everything that these narrow specialists say! And of developing an overall treatment theory. Moreover, the narrow specialists must not only know what medicines are being used in the next ward, but must also know how to adjust their own treatment scheme. But this government's economic bloc has not yet risen to that level of work.

[Misharin] But our government's economic bloc is the loudest and most politicized one!

[Shcherbakov] That is the crux of the matter — again I am returning to the fact that today we are leading the rest of the planet with regard to the number of parties... And all these parties have been exceptionally politicized. If, for example, there are practically no political disagreements between the Labour and Conservative parties in England — the disagreements there are economic ones — and the situation is the same with the Democrats and the conservatives in the United States, in our country the situation is just the other way around! We do not have any time to discuss problems of the economy. It is very necessary for us to decide: "Who will be in power — the Communists or the anti-Communists?"

[Misharin] Upon whom are you counting as you go to the parliamentary election? Who will support you?

[Shcherbakov] First of all, the segment of skilled representatives of industry. Workers in science, education, and culture. And, of course, specialists in the budget-supported branches — they are well aware that, without industry, they simply will not have any funds for existence. In the final analysis, the budget will redistribute the income that others create.

Therefore every voter — and I mean literally every one — must understand for whom it is in his interest to vote — those who once against promise him something, or those who have a clear-cut program for rebuilding industry and the state. We are counting on people in all

sectors of the economy, including the agrarian sector — the people there also understand that without industry there will not be any agriculture! We are counting on a very broad electorate and we believe in the people who have not been engaged by a particular political idea.

[Misharin] Putting it more succinctly, you are counting on normal, healthy, responsible people...

[Shcherbakov] You are absolutely correct. And I continue to believe in Russia, in its ability not only to work, but also to place a value on its labor.

[Misharin] I would like to know how, in general, you would describe the Russian character.

[Shcherbakov] How can I put it... I have not seen a more spiritual nation anywhere.

[Post-interview comments]

V. I. Shcherbakov is a little like "a guy from our hometown" — perhaps without the charisma of the famous actor Kryuchkov, without his recklessness and cinematographic luck. But Vladimir Ivanovich himself, having been left without his governmental seat, also was able within four years — and not without risk! — to develop the tremendous Interprivatizatsiya financial-investment foundation and to prove to the entire country that those "sober romantics" were not "born yesterday," and that, for the sake of the country and its people, rather than for the sake of his own enrichment or vanity, he threw himself into "perestroika" as though into a purifying fire.

[Interview continues]

[Shcherbakov] What can be done in two years?... You can turn things around. So, with a normally operating economy we shall lift Russia up in five-six years. But we shall lift it as high as it has to go!

[Misharin] Vladimir Ivanovich, what about the famous saying, "Tomorrow is too late, and today is too early"?

[Shcherbakov] On the conveyor line, a discrepancy — of just one second! — between the motor and the body of the vehicle leads to the destruction of the vehicle. So it is not a matter of yesterday or today. The time is now!

Russian Joint Industrial Party: telephone/fax (095) 923-14-11.

***Duma Passes Investigative Operations Law**

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6 Jul 95 p 2

[Article by Pavel Borisov under the heading "Legislators": "Duma Regulates Investigative Activities: An

Informant Disabled on the Job Will Cost the State Dearly"]

[FBIS Translated Text] The State Duma yesterday passed a law on investigative activities that is intended, according to those who drafted it, "to define the nature [of investigation] and reinforce the system of guarantees that the law will be complied with when [investigations] are conducted."

Under the new law the right to conduct investigations in Russia will be granted to operational units of the Ministry of Internal Affairs, Federal Security Service, the Federal Border Service, the Foreign Intelligence Service, the Main Protection Directorate, the Presidential Security Service, the tax police and the State Customs Committee. It is specifically stated that investigative units under the Ministry of Defense and the Federal Government Communications and Information Agency may conduct investigations only for purposes of ensuring their own security. Investigative activities will be monitored by the president, the parliament and the government, within the limits of their authority. Direct oversight, as is customary in such cases, is the responsibility of the General Prosecutor and his authorized assistants. However, the subject of such oversight does not include "information regarding the organization, tactics, methods and means" of investigative operations.

Respect for "human and civil rights and liberties" is the subject of one of the longest articles in the new law. Specifically, agencies that conduct investigative operations will henceforth be forbidden by law to take action on behalf of any party or to be secretly involved in the work of any governmental bodies. However, another article provides for the possibility that in the course of investigative operations buildings and vehicles may be "inspected," mail and telegrams may be "monitored," and telephone lines may be tapped. True, all these actions do require a court order, but "in cases that will not tolerate delay or if information exists to indicate events that constitute a threat to the state, military, economic or environmental security of the Russian Federation" a court order may be waived.

Any official engaged in investigative operations now has the right to ignore criminal orders — "upon receiving instructions which are in violation of the law, the official is obligated to be guided by the law." On the other hand, "when protecting citizens' lives, health, constitutional rights or legitimate interests, and also in order to ensure the safety of society and the state," the official in question "may be forced to infringe upon law enforcement interests."

"Citizen assistance" to investigative agencies gets a whole chapter, not just one article. For example, it is

envisioned that a contract for "confidential assistance" may be concluded with any competent citizen of legal age (even a citizen of another state), so long as that citizen is not a deputy, a judge, a prosecutor, a lawyer or a priest. It is also stipulated that if an individual under such a contract receives a serious injury, contusion or wound "in the line of duty" that would prevent further collaboration, that individual will receive a one-time benefit payment in the amount of five years' pay and will subsequently be granted a pension.

On the whole this new law, which must now be approved by the Federation Council and signed by the president, leaves a somewhat contradictory impression. Despite its obvious pluses it also contains some equally obvious minuses. It should probably come as no surprise that some deputies called it "clearly KGB-like" and others "remarkable and progressive."

***Edict Calls for Developing Legal Reform Concept for Russia**

954E1170A Moscow ROSSIYSKAYA GAZETA
in Russian 12 Jul 95 p 4

[Edict: "Edict of the President of the Russian Federation on Developing a Concept for Legal Reform in the Russian Federation"]

[FBIS Translated Text] For purposes of implementing the statutes in the RF Constitution and, on its basis, strengthening the Russian state system and the legal foundations of Russian society, as well as guaranteeing the system-oriented, planned, and coordinated nature of the legislative process, I decree:

1. To deem to be necessary the development of a concept of legal reform in the Russian Federation.

2. To establish as the basic elements of the concept of the legal reform the questions of the legal support of a number of very important areas in the formation and functioning of the Russian state system and the development of a completely valid civilian society, including:

the legislative support of the system of human rights in society, primarily the real guarantees of the rights and legal interests of the individual;

the consolidation of the foundations and the protection of the constitutional system;

the reforming of state administration, including the improvement of the system of the state registration of public associations and other legal entities, and the monitoring of their activity;

the creation of an integrated legal base for the organization and activity of the legal system and the agencies of justice;

the guaranteeing of the coordination of the norm-establishing activity of the federal agencies of state authority, as well as the federal agencies of state authority and agencies of state authority of the subjects of the Russian Federation;

the formation of the legal base and the institutional reform of the law-enforcement system in order to intensify the fight against crime;

the concretization of the foundations of federalism in the Russian Federation;

the development of the fundamental areas and forms of carrying out the reform of local self-government;

the further system-oriented legal support of the development of the economy;

the development of a system of law education, including the strengthening of the system of legal training and legal science;

the organizing of a system of legal experts in the practice of creating norms and applying the law;

the formation of a modern, widely accessible base of normative acts, including in electronic form.

3. The State-Legal Administration of the President of the Russian Federation and the RF Ministry of Justice, with the involvement of the leading scientists, as well as the legal and economic scientific, scientific-research, and educational centers of the Russian Federation, and the legal public:

within the period of one month are to submit to the President of the Russian Federation recommendations concerning the carrying out of research projects to determine the need for the legal reforming of the regulation in the areas indicated in paragraph 2 of this Edict;

within a three-month period are to guarantee the preparation by the invited legal and economic scientific, scientific-research, and educational centers of the Russian Federation, as well as groups of leading scientists, of the recommendations dealing with the structure and the basic principles of the concept for the legal reform in the Russian Federation, their collection, processing, and summarization, and are to submit recommendations for forming the concept of the legal reform in the Russian Federation.

4. The Government of the Russian Federation:

is to stipulate in the drafts of the federal budget, beginning in 1996, in a separate line, the financing of

the projects to prepare and carry out the legal reform, as well as the operation of a legal information system for Russia on the basis of the concept of the legal reform in the Russian Federation;

is to consider the possibilities of attracting nonbudgetary sources of financing the development and implementation of the concept of the legal reform in the Russian Federation and the operation of a legal information system in the Russian Federation, including information concerning international financial organizations.

5. The Institute of State and Law, of the Russian Academy of Sciences; the Research Center for Private Law, under the President of the Russian Federation; and the Institute of Legislation and Comparative Legal Studies, under the Government of the Russian Federation are to guarantee, prior to 1 September 1995, the preparation of recommendations concerning the structure and basic statutes of the concept of the legal reform in the Russian Federation and are to submit them to the State-Legal Administration of the President of the Russian Federation and the RF Ministry of Justice.

6. The head of the Administration of the President of the Russian Federation is to stipulate the financing of the indicated projects to involve the leading scientists, as well as the legal and economic scientific, scientific-research, and educational centers of Russia, and the legal public, in developing the recommendations concerning the concept of the legal reform in the Russian Federation, at the expense of the estimate of the Administration of the President of the Russian Federation.

7. This Edict goes into effect on the day of its promulgation.

[Signed] B. Yeltsin, president of the Russian Federation

Moscow, the Kremlin
6 July 1995
No. 673

***Powers of President's Constitutional Court Representative Outlined**

Text of Edict

954E1164A Moscow ROSSIYSKAYA GAZETA
in Russian 11 Jul 95 p 6

['Edict of the President of the Russian Federation on Ratification of the Statute on an Authorized Representative of the President of the Russian Federation to the Constitutional Court of the Russian Federation']

[FBIS Translated Text] 1. To ratify accompanying statute On an Authorized Representative of the President

of the Russian Federation to the Constitutional Court of the Russian Federation.

2. To form within the structure of the administration of the president of the Russian Federation a work apparatus for the authorized representative of the president of the Russian Federation to the Constitutional Court of the Russian Federation with a staff of five individuals.

3. To charge the appropriate structural divisions of the administration of the president of the Russian Federation with providing for the transportation, social, personal, and medical services required by the authorized representative of the president of the Russian Federation and the employees of his work apparatus.

[Signed] President of the Russian Federation

B. YELTSIN

[Dated] Moscow, Kremlin, 5 July 5 1995, No. 688

Statute on Representative's Powers

954E1164B Moscow ROSSIYSKAYA GAZETA
in Russian 11 Jul 95 p 6

["Statute on Authorized Representative of the President of the Russian Federation to the Constitutional Court of the Russian Federation"]

[FBIS Translated Text] I. General Statutes

1. The authorized representative of the president of the Russian Federation to the Constitutional Court of the Russian Federation (henceforth referred to as the authorized representative), by participating in sessions of the Constitutional Court of the Russian Federation, promotes the realization of actions of the president of the Russian Federation as a guarantor of the Constitution of the Russian Federation, of human and civic rights and freedoms.

2. The legal base for the activities of the authorized representative is provided by the Constitution of the Russian Federation, the Federal Constitutional Law "On the Constitutional Court of the Russian Federation," other federal laws, edicts, and orders of the president of the Russian Federation, as well as the present Statute.

3. The authorized representative participates in sessions of the Constitutional Court of the Russian Federation without special orders of the president of the Russian Federation to do so. When necessary, the participation of other representatives of the president of the Russian Federation, besides the authorized representative, is scheduled by order of the president of the Russian Federation.

4. The authorized representative is appointed to his post and relieved from his post by the president of

the Russian Federation based on recommendations from the chief of the administration of the president of the Russian Federation.

The position of the authorized representative is that of deputy chief of the administration of the president of the Russian Federation.

Functions of the Authorized Representative

5. The authorized representative fulfills the following functions in the name of the president of the Russian Federation:

- participates in sessions of the Constitutional Court of the Russian Federation in all cases where such participation as a party is stipulated by the Federal Constitutional Law "On the Constitutional Court of the Russian Federation";

- participates in sessions of the Constitutional Court of the Russian Federation also in other cases where he has received the invitation or approval of the Constitutional Court of the Russian Federation;

- coordinates the activities of appointed representatives of the president of the Russian Federation and participates in examining specific cases by the Constitutional Court of the Russian Federation.

6. According to an agreement with the president of the Russian Federation, the authorized representative has the right, ensuing from the results of a study of case materials, to introduce necessary specifications and changes into the position of the president of the Russian Federation as it is set out in his address to the Constitutional Court of the Russian Federation, in a session of the Constitutional Court of the Russian Federation during his concluding speech.

7. By instruction of the president of the Russian Federation, before examining a case in a session of the Constitutional Court of the Russian Federation, the authorized representative defers to the address made by the president of the Russian Federation.

8. In necessary cases, the authorized representative presents proposals to the president of the Russian Federation for measures that would ensure that the decisions of the Constitutional Court of the Russian Federation are carried out.

Rights of the Authorized Representative

9. In the course of carrying out the functions with which he is charged, the authorized representative has the right to:

- utilize, according to established procedure, the information data banks of the administration of the president

of the Russian Federation, the Russian Federation Government Apparatus, federal executive-branch organs and state government organs of Russian Federation subjects;

- request and receive from the State-Legal Directorate of the president of the Russian Federation and other structural divisions of the administration of the president of the Russian Federation necessary normative legal acts, reference, informational, and analytical materials;

- prepare, within his work apparatus, and receive from the State-Legal Directorate of the president of the Russian Federation draft inquiries and petitions proposed for presentation to the Constitutional Court of the Russian Federation by the president of the Russian Federation;

- enlist, if necessary on a contractual basis, for consultations, the preparation of conclusions and, if necessary, speeches at sessions of the Constitutional Court of the Russian Federation, specialists from among employees of federal executive branch organs, scientists, and practitioners.

Provisions for the Activities of the Authorized Representative

10. The activities of the authorized representative are provided for by a work apparatus formed within the structure of the administration of the president of the Russian Federation.

11. The work apparatus of the authorized representative:

- provides for the authorized representative's interaction with employees of the apparatus of the Constitutional Court of the Russian Federation;

- provides for the authorized representative's interaction with structural divisions of the administration of the president of the Russian Federation, with the apparatuses of federal organs of state government and state government organs of Russian Federation subjects;

- chooses and systematizes normative legal acts, reference, and other materials necessary to the authorized representative for his participation in sessions of the Constitutional Court of the Russian Federation that deal with specific cases;

- summarizes practical experience and develops proposals that promote increased effectiveness in the activities of the authorized representative.

12. The structure and staff of the work apparatus of the authorized representative, as well as an estimate of his expenses as a representative and payments for the services of specialists hired on a contractual basis, are approved by the chief of the administration of

the president of the Russian Federation based on the recommendations of the authorized representative.

13. The chief and employees of the work apparatus of the authorized representative are appointed to their posts and relieved from their posts by the chief of the administration of the president of the Russian Federation based on the recommendations of the authorized representative.

***Electoral Commission Official on Forming Electoral Districts**

954E1161C Moscow ROSSIYSKAYA GAZETA
in Russian 6 Jul 95 p 1

[Interview with Aleksandr Veshnyakov, secretary of the Central Election Commission, by Valentin Maslennikov; place and date not given: "Both Legal and Fair: Election Districts Will Be Determined for Upcoming Elections of Deputies to the State Duma"]

[FBIS Translated Text] **The Central Election Commission has worked out the methods for determining the number of single-seat election districts and distributing them among the components of the Russian Federation. The materials have been turned over to the State Duma for adoption of the appropriate law.**

The editors asked Aleksandr Veshnyakov, secretary of the Central Election Commission, to comment on this.

[Maslennikov] Aleksandr Albertovich, what is the need for such work? Who wasn't satisfied with the plan for drawing up election districts by which the previous elections were held and why?

[Veshnyakov] The 1993 elections were held according to a presidential edict rather than a law, since the deadlines and development of the political situation in the country were pressing. Now we have the time and opportunity to legalize the process of the election campaign in the full sense of the word.

[Maslennikov] Why wasn't that done earlier?

[Veshnyakov] There was no Law on Elections of Deputies to the State Duma of the Russian Federation Federal Assembly. The methods for determining the number of single-seat districts were worked out even earlier. As soon as the basic number, 225, was determined, we made our proposals on the basis of the second part of Article 5 of that law.

Now matters are up to the Duma. If it agrees with the proposed plan, the distribution will acquire the force of law.

[Maslennikov] What is the norm for the representation of constituents per single election district?

[Veshnyakov] Slightly fewer than a half million people, or more precisely, 466,568. This figure is the result of dividing the total number of constituents (104,977,895) by the total number of single-seat election districts (225) established by the federal law.

By dividing the number of constituents residing on the territory of each component of the Federation by the uniform norm of representation, we obtained the preliminary number of single-seat districts. There turned out to be 189 of them.

In certain components of the Federation there are fewer constituents than the established uniform norm. Nonetheless, according to the Law on Elections of Deputies to the State Duma, districts are established there anyway. We have 21 such districts (they include Adygey, Altay, Khakasia, Tuva, Magadan Oblast, the Jewish Autonomous Oblast, etc.).

The first figure obtained was added to the second. The result was 210. There remained the possibility to create another 15 districts.

[Maslennikov] How and where are they distributed?

[Veshnyakov] Where there are somewhat more constituents. After all, when the number of constituents in a component of the Federation was divided by the uniform norm of representation, there were few places where round numbers resulted. So we took a look at the fragments that remained "off camera." In Chuvashia, Bashkiria, and Lipetsk Oblast, these "remainders" came very close to amounting to a whole unit. Therefore we added a district to each of them. We added districts to each one for which this "remainder" was greater than for others. I think that is fair.

[Maslennikov] Were any of them "offended"? That is, were there fewer districts in some components of the Federation than in the past elections?

[Veshnyakov] Yes, the number of districts was reduced in the Republic of Komi and in Kurgan and Tomsk oblasts.

[Maslennikov] And where did it increase?

[Veshnyakov] In Leningrad, Moscow, and Rostov oblasts.

[Maslennikov] Isn't this being interpreted at the local level as an infringement of the interests of the periphery to benefit the center?

[Veshnyakov] I cannot rule out that interpretation or some others, but we acted not out of bias but as

objectively as possible. After all, both in the preliminary discussion of the matter and in plenary session, I think the Duma will pass judgment on our work and take a final decision. Moreover, we sent our proposals not only to the Duma but to the localities. The deputies have the opportunity to discuss this matter for a while, and time still permits that. According to the law, the list of single-seat districts must be published no later than 100 days before the elections, i.e., before 29 August.

[Maslennikov] Are there still any disputed points in the Central Election Commission's proposals?

[Veshnyakov] The deputies will probably also dispute the assignment to Russia's central election districts of citizens residing in foreign countries as of the time of the elections. Yet in making that decision, we acted out of purely organizational considerations: given the center's established ties with Russian representative bodies abroad, there is greater guarantee of the successful participation in the elections of those who live and work outside of Russia. Incidentally, limitations have also been stipulated: the number of "Russians from abroad" must not exceed 10 percent of the basic number of constituents in a district. For example, our citizens who are presently living and working in countries in Africa and Central and South America have been assigned to the Medvedkovskiy Election District in Moscow. There turned out to be a little more than 20,000 such people. Yet there are 466,500 constituents in the district. So the decisive vote still remains with the local residents, not those assigned to the district from outside.

[Maslennikov] Will all the "Russians from abroad" vote for Moscow candidates for deputy?

[Veshnyakov] No, we are proposing that Russians living in the Baltic countries be assigned to election districts in Leningrad Oblast, but the final decision, I emphasize, lies with the deputies. Whatever decision they make will find reflection in the law.

[Maslennikov] What if our parliamentarians cannot arrive at any definite decision or cannot do so within the extremely short period of time remaining and do not pass the law?

[Veshnyakov] Well, we will have to act as in the previous elections, according to an arrangement specified in a presidential edict. Of course, one would not like to repeat the mistakes made then because of the hastily prepared elections. We have the opportunity to avoid them.

***State Policy on High Technologies Urged**

954F2762A Moscow *SEGODNYA* in Russian
5 Jul 95 p 2

[Article by Elmar Murtazayev under the heading "Protectionism": "State Duma Proposes Government Subsidize High Technologies: Legislators Intend To Verify Legality of Concluding Contracts With Foreign Companies"]

[FBIS Translated Text] Russia is not the world leader in a single of the world's 15 most promising technological fields, it was pointed out yesterday at parliamentary hearings on "The Manufacture and Sale of High-Technology Products in Russia and Reduction in Foreign Purchases of Such Products" by Yuliy Nisnevich, chairman of the State Duma Subcommittee on Communications and Information Science. According to his subcommittee, the high level of development in Russia, a level that won worldwide recognition, applies only to technologies connected with the "defense" industry (specialized chemicals, laser technologies, nuclear technologies and high-energy materials technologies). Lagging farthest behind in comparison to the world level are civilian technologies (particularly computer and environmental protection technologies). In Mr. Nisnevich's opinion, it is the low level of technologies in the "civilian" sectors (with a lag estimated at 30-40 years) that determines the development of the economic situation and dictates the low standard of living of Russia's people.

The subcommittee chairman stated that Russia is currently facing a shrinking market for its high-tech products. In his opinion the main reasons for this process are loss of a foreign sales market for competitive products due to changes in our country's geopolitical and economic situation, and the lack of a state policy to protect and support effective and advanced domestically-manufactured products. Mr. Nisnevich gave several examples which in his opinion typified this lack of attention to Russian manufacturers. First the deputy talked about the "incorrect" selection of the U.S. firm Compaq to develop the State Automated Election System. According to Mr. Nisnevich's figures, R170 billion [rubles] were spent wastefully because the Americans' competitor — a Russian company called IVK — manufactures "computers that are identical in terms of quality and are significantly cheaper." Mr. Nisnevich also cited another example, terming it a mistake on the state's part to choose the U.S. company IBM to supply computers for the Ministry of Social Protection (total price tag on the deal: R16 billion) and the Taiwanese company Acer to computerize the Russian federal government.

In Mr. Nisnevich's opinion, the competitiveness of our country's products can only be ensured in certain sectors of the economy where we already have accumulated extensive scientific and financial potential. The deputy believes that toward that end we must create conditions that will help make our country's products competitive and attract investment. By that Mr. Nisnevich means pursuing a state policy of protectionism which, in the opinion of the subcommittee chairman, should include measures to restrict access to the Russian market for foreign-made finished products. In addition, the deputy is of the opinion that protectionism is clearly needed in the area of taxes. Mr. Nisnevich expressed support for the idea of subsidizing and providing direct budget funding to domestic manufacturers who produce competitive products.

At the conclusion of the hearings a motion was approved to recommend that the government prepare a list of Russian high technologies that could help maintain our country's competitive advantages in the world market and the Russian market, and develop a concept for a state policy in the area of developing and utilizing high technologies in the 1996-98 period. In addition, the deputies recommended that the government make provision in the draft 1996 budget for allocations to support enterprises that use high technologies, and also pursue "a more effective tax policy with regard to Russian high-technology manufacturers." Following these recommendations from participants in the parliamentary hearings, the State Duma will begin analyzing state projects that include the purchase of foreign equipment using federal budget funds and will determine whether those projects conform to the requirements of Russian law.

Media Issues

*Media Leaders Meet With Former Security Council Secretary Skokov

954F2756A Moscow OBSHCAYA GAZETA
in Russian No 26, 29 Jun-5 Jul 95 p 8

[Report by Yelena Dikun: "Skokov Overcomes Phobias"]

[FBIS Translated Text] This week the Confederation of Journalist Unions and the Moscow Press Club organized a meeting between top mass media officials and Yuriy Skokov, former Security Council secretary and currently chairman of the National Council of the Congress of Russian Communities. The meeting was held in an informal setting in the fashionable Balchug Hotel. Apparently, the atmosphere—a table laden with expensive appetizers, fine wines, and candles—had an effect on Yuriy Vladimirovich. Normally a reticent person, on this occasion he was surprisingly forthcoming. First of

all, Skokov explained why he usually shuns the press: "I never knew how and never liked to give interviews;" "it irritates me when people write about me and photograph me;" but today "the time has come to overcome this phobia of mine."

Naturally, journalists were interested to know whether Skokov intends to run in the parliamentary and presidential elections. Although he himself has never openly staked a claim on power, nevertheless, ever since he left the Kremlin corridors in 1993, experts have unfailingly mentioned his name among the main contenders for the post of head of the state. At the same time, in Skokov's own words: "I am not tempted to become a mere deputy;" "for me, this is a way of working and shaping public opinion, an opportunity to check people out in terms of their ability to unite in one team." To an OBSHCAYA GAZETA question, however, as to whether we should interpret elections to the Duma as a trial run before the final stretch to the presidential post, Skokov replied laconically and categorically: "I will talk on this subject until 1996, and then we will see."

Meanwhile, observers believe that in the elections Skokov could score points first of all due to the popular and disfavored General Lebed, whom he recently brought into the leadership of the Congress of Russian Communities. Actually, Skokov himself described his deputy this way: "Lebed possesses a natural intelligence; he is an outstanding personality, a good actor, and is skillful in communicating with the public, but he does not have enough education. He is not ready to be president, and will need a lot of training even for the post of minister of defense." Skokov does not preclude the possibility, however, that the situation may take a turn—for instance, a sudden civil war—in which life itself could propel Lebed to the forefront. "I personally have no claim to being the man in the front seat," assured Skokov. "If necessary, I am willing to sit behind Lebed and outline the plan of options for him."

Journalists inquired which of the learned men had drafted the economic program for Skokov, but alas, did not receive a concrete answer. Instead, Skokov blasted every more or less well-known economist: "Glazyev is a good, promising guy, but he is jumping from one direction to another." "Abalkin is a broken man." "Petrakov is working for the fuel and energy complex, which pays his maintenance." "Ryzhkov bears the blame as much as anybody else for the current state of affairs." And so on.

Despite the fact that Yuriy Vladimirovich is only trying his wings as a public politician, it appears he has learned well that the best way to sink a political adversary is to present him in a compromising light. And the

former Security Council secretary does have things to tell. For instance, Yuriy Vladimirovich recalled how he kept trying to talk Yeltsin into heading the Interagency Anticrime Commission. The president hesitated, and then said honestly: "Combating crime is a difficult thing, it will not enhance my authority." And right away, "Shurik (Aleksandr Rutskey—Ye.D.) jumped in and proposed himself for the job."

The prime minister was not spared either. In Skokov's view, Viktor Stepanovich is "the country's chief mafioso." To support this statement he related how in 1991, when Chernomyrdin was still president of the AO [joint-stock company] Gazprom, he asked Yeltsin for 4 billion rubles [R] to support his concern. The president instructed Skokov to find the money, which he did. When last year, however, Skokov asked the prime minister how Gazprom, which only recently begged the government for money, now had \$176 million to purchase stock on the foreign trade market, the latter could not offer any reasonable explanation. Skokov also recalled that, according to Deputy Prime Minister Chubays' estimates, Gazprom's property is currently worth \$298 million, but Western experts name different figures: between \$250 billion and \$1 trillion. And the prime minister allegedly owns 5 percent of the stock of this mind-boggling amount. According to Skokov, Chernomyrdin has a personal aircraft, ready to fly him to the West at any moment. But, Yuriy Vladimirovich believes, nobody will escape the popular wrath, and all plunderers of Russia will face their own Nuremberg trial. On this optimistic note, the candlelight supper ended.

***State of Moscow Cable TV Networks Examined**

954F2712A Moscow *SEGODNYA* in Russian
27 Jun 95 p 10

[Article by Irina Rozenberg: "The Forthcoming Election May Correct the Well-Being of the TV Cable Studios: With the Aid of Cable Television It Is Possible To Plan a Putsch in a Separately Taken City Rayon"]

[FBIS Translated Text] In Moscow, cable television represents not private studios, as most of the city's residents think, but cable networks. In the late 1970's and early 1980's, because of the mass construction of tall buildings in the capital, there appeared shadow zones that, for a considerable part of the population, hindered the high-quality reception of television programs that were transmitted over the air. At that time the Ministry of Communications developed systems (KSKPT and SKTV) that made it possible to provide the subscriber with interference-free signals from five channels transmitting over the air.

Such systems were constructed at the expense of the city budget, and therefore, essentially speaking, they are considered to be city property. The systems were formally transferred to the REU balance sheet. It was precisely to those systems that the cable television studios subsequently began to hook up. But the cable operators never paid anyone anything for the operation of the city's cable television networks, and they still are not paying anyone.

Private Studios Broadcast Free...

The first cable television studios appeared in the capital at the very end of the 1980's. Their mass appearance continued approximately until late 1992 and early 1993. According to the managers of certain studios, at that time such activity brought a rather good income. The organizing of the job did not require any special financial expenditures or efforts (all that was necessary was to get an authorization from the chief of the REU), and the expenses for maintaining the studios were largely covered by the subscriber fees, advertising, and the sale of decoders to the subscribers.

In order to put the city systems in order, decree No. 558 of the Moscow government, dated 5 July 1994, created the Moskovskoye Kabelnoye Televideniye State Enterprise (GPMKT), which was assigned the functions of state customer for the operation, construction, remodeling, and development of cable television networks.

Today 80-85 percent of the cable networks are already on the GPMKT balance sheet. Territorial subdivisions (TV-centers) have been created in practically every prefecture in the city. However, GPMKT at the present time is not only engaged in preparing a program for the development and remodeling of the city networks, but also has developed, practically completely, the normative documents that require private studios to pay GPMKT for the use of the city's cable network. According to Aleksey Popov, GPMKT general director, it is tentatively thought that payment will be equal to 280 rubles a month for each studio subscriber. But the managers of small studios assert that they "won't be up to that."

Even Without Licenses...

According to GPMKT information, until the present time approximately 200 private cable television studios have been registered in the capital. However, according to Aleksey Popov, approximately 100 studios are actually operating. Of them it is possible to isolate no more than 10-15 which, in the full sense of the word, can be called television studios. Such studios, first of all, are provided with high-quality equipment; and, secondly, they have creative workers on their staff, thus making it

possible not only to run films, but also to prepare children's, informational, and entertainment programs.

The studio staffs consist of from three to 150 people. The broadcast time of the more or less substantial companies is from 1100 hours to 2330 hours (with a break from 1500 to 1800 hours). Naturally, every studio has its own audience. Depending upon the number of home cable television systems that it is connected to, the number of subscribers can be from 2000 to 115,000 persons.

The overwhelming majority of private studios still do not have licenses to broadcast. At one of the conferences of the RF Federal Service for Television and Radio Broadcasting it was remarked that only one or two Moscow studios possess licenses to broadcast. According to Aleksey Popov, such licenses have been issued to 10-15 companies. According to estimates provided by the Registration and Licensing Administration of the RF Federal Service For Television and Radio Broadcasting (which administration, since 1 January of this year, has been issuing television companies licenses to broadcast), no more than ten studios have licenses.

The cable television studio managers themselves explain the lack of a license to broadcast by the fact that until recently "no one knew how this is done." That is also partially confirmed by the GPMKT general director, who noted that during the past five years the right to issue licenses was exercised "first by some administrative entities, and then by others" (until the middle of last year, the Ministry of the Press engaged in this). As has been noted by the representatives of certain private studios, "we do not attempt to get licenses because the procedure for issuing them takes too long, and may take as long as years."

However, if one believes Sergey Kolkunov, deputy chief of the Registration and Licensing Administration of the RF Federal Service For Television and Radio Broadcasting, if the applicant has all the necessary documents (enterprise charter, certificate of registration of the enterprise as a mass medium, the founding contract, the appropriate technology, and a document from Minsvyazi [Ministry of Communications] in which the authorized frequency range for broadcasting is indicated), the license to broadcast in one administrative district is issued within a month and costs 30 minimum wages.

Nevertheless GPMKT and the Licensing Administration of the RF Federal Service For Television and Radio Broadcasting are planning within the near future to prepare a package of documents that will require the studio owners to get licenses by the established deadline. In addition, according to Sergey Kolkunov, within this

year the Licensing Administration is planning to require the owners of private studios to certify their equipment, inasmuch as the poor quality of the technology used by the cable operators and the fact that it does not conform to Russian GOST's [state standards] not only are spoiling the city's cable networks, but also exerting a negative influence on the viewers' health (especially their vision).

Studios' Income

According to Aleksandr Khmel, director of the Creative Informational-Publishing Center (TIITs) studio, one of the most representative ones in the city, today the cable operators can normally exist only if, in addition to television broadcasting, they also engage in other types of activity.

Theoretically, every studio has two basic sources of income. The first source is the subscriber fee. It is established by the studio owners on the basis of considerations that are known only to themselves, and in the capital is from 6000 to 30,000 rubles (according to GPMKT information). However, whereas, during the time when the first studios appeared, the viewers paid eagerly, today, at best, no more than 30 percent of the law-abiding subscribers pay for the use of cable television. As Aleksandr Khmel remarked, "the subscriber fees are not sufficient even for taxes."

For normal viewing of cable television, the viewer needs a special decoder (descrambler) that is usually sold by the studio itself, thus registering the subscribers. In the past two years many radio plants have assimilated the broad production of decoders, which can be bought easily at a flea market — in a private transaction like this, a decoder costs 15,000 rubles, but, for example, the TIITs studio sells them for 40,000 each. Currently the subscribers purchase their decoders independently, and the studios have been deprived not only of the subscriber fee, but also the income from the sale of decoders. But installing serious expensive scrambler systems of Western quality (when every subscriber has his own code), which could force the viewers to pay, is something that not a single studio is capable of doing today.

The second source of income is advertising. According to Aleksandr Khmel, advertising cannot lead to any tangible income, inasmuch as substantial sponsors do not usually go to a cable television studio. Basically, the local stores and companies that render various services for the population advertise their output. There may also be private announcements. Infrequently, substantial banks advertise when they are opening branches in a particular area of the city.

As a rule, the basic advertising is in the form of television text (depending upon the number of studio subscribers, the rates for Moscow vary within the limits of 50 cents to \$15 for ten words, and from \$1 to \$30 for 25 words). Less frequently, it is a practice to run video scrolls (\$2 to \$30 for 30 seconds). Sometimes the studios sell their advertising to other studios (in this instance, the purchaser pays for one placement at his own advertising rates with a 20-percent discount).

According to representatives of TIITs, by no means every company is successful not only in paying its expenses for maintaining the studio, but also in obtaining a large profit (the studios that are considered to be more prosperous with respect to advertising are "Sokol," "Kuntsevo," and "Ekran"). Obviously, for that reason there are also frequent conflicts among the studios because of the attempt to lure sponsors. Nevertheless, absolutely all the studios "make ends meet" by selling cosmetics, by making video recordings of weddings and other ceremonies, by the repairing of television antennas, by the manufacturing of advertising scrolls, and by the sale of film copies that are made by them (according to certain information, the studios get from 2000 to 6000 rubles an hour from making copies), and also offer their services in construction.

The Program Repertoire of Private Studios

As is generally known, all studios handle imported pirated items (the situation goes so far that the residents of certain rayons have the opportunity to view the latest American films even before the U.S. viewers do). It is understandable that the studios are incapable of paying several thousand dollars even for a mediocre imported film. Moreover, no measures of punishment are applied to the pirates anyway (so long as Russia has not signed the Bern Convention in the area of protecting the copyrights on movie and video output, the cable operators can live calmly). It is no problem today to get copies of foreign films. In the black market (the most representative one is located in the DK [House of Culture] imeni Gorbunov), a cassette (a zero copy that can be duplicated) costs from 35,000 to 70,000 rubles, depending upon the "quality level" of the film that was recorded. Many studios use cheaper third or fourth copies with a poor-quality image.

There have been instances when several studios get together and buy cassettes for joint use. However, it is completely unnecessary to buy video films regularly at relatively low prices. There exist a large number of other alternatives: for example, it is possible to rent cassettes at neighboring studios or in video stores. It is also possible to get a film from a competing studio in exchange for a sponsor. Some studios allow onto

their territory companies that engage in making copies of pirated films and selling them. In this instance the cable operators have the opportunity to get free use of copies of the video film being produced in quantity by the company, and the company does not have to pay for leasing the facilities or using the studio apparatus.

As for domestic movies, the rights of Russian copyright holders are reliably protected by the appropriate legislation — a fine will be imposed on the studio for showing an unlicensed film. It is probably for this reason that the cable television studios very rarely show domestic films.

The Private Studio Is Subordinate Only to Itself

Despite the fact that the Moscow government decided to introduce order into the cable television system, it continues to be practically impossible to monitor the activities of the private studios. They independently form the broadcast repertoire and determine the volumes of advertising (including political). They can freely invite to broadcast direct over the air waves any political, public, or religious figures. Moreover, as the manager of one of the companies commented, "absolutely anyone can go into practically any studio — and not a single one of them is protected against this — and insert any cassette into the transmitting system." There have been known instances when the owners of private studios disconnect entire buildings from the centralized cable television system (this is especially typical of buildings in youth-housing cooperatives, which are not subordinate to the REU), by installing a collective antenna and setting up something like a private television broadcasting shop.

And although, according to certain information, a plan for reorganizing the private studios is being developed at the present time, there still are no normative documents that precisely regulate the activities of such companies. Moreover, according to the administrators of the Registration and Licensing Administration of the RF Federal Service For Television and Radio Broadcasting, it is rather complicated, in the event of any violations, to deprive a studio of its license to broadcast (obviously, we have in mind those studios which actually have such a license).

It is quite possible that, during the election campaign, figures in various parties will take advantage of the local studios. After all, for potential presidents and deputies the local studios in a definite sense are much more effective than the central television channels. As has been noted by workers in one of the studios, "in exchange for large amounts of payment, the studio managers allow over the air waves absolutely anyone, and cable television will give a statement about itself during the election campaign."

Military & Space Issues

*Nuclear Arms Plant Chief on Financial Woes

95WC0057A Moscow *SEGODNYA* in Russian
16 Jun 95 p 5

[Interview with Viktor Ilyich Fetisov, director of the "Mayak" enterprise, by Igor Mosin and Lyudmila Shikanova: "Viktor Fetisov: 'We Are Bearing an Atomic Cross'"]

[FBIS Translated Text] Viktor Ilyich Fetisov is director of the "Mayak" enterprise that is now known throughout the world but was once carefully classified, built in the postwar time for the purpose of producing and creating materials for nuclear weapons. No one has taken away these responsibilities to this day. To be sure, to them have been added many new problems having to do with conversion, ecology, and the new economic and political situation in the country. Today "Mayak" is the largest nuclear scientific-production center not only in Russia but also anywhere in the world.

[SEGODNYA] What permeates the combine today?

[Fetisov] We are most concerned about the total uncertainty. The state simply cannot establish the rules of the game. We agree to any conditions just as long as there are these conditions. Unfortunately, the years are passing and the state just will not define its interrelations with the military nuclear complex. I fear that such an attitude may be very costly to the country's national security.

This is the general situation. And now, to be more specific. In accordance with the president's edict, we are a federal facility. This is an absolutely correct decision in political and state terms. We make nuclear weapons. Naturally this is linked with certain restrictions, as it is everywhere in the world. It is difficult to imagine how the privatization process can extend to us. Although as sad as it may be, there have been such attempts. Imagine that some "MMM" or one of the well-known merchants became the owner of a federal nuclear center. But once the state took on certain obligations, we have the right to expect that they will be fulfilled. After all, it is a matter, if you will, of particularly dangerous production.

Last year, however, they paid us only 50 percent of the state order. You will not believe me but today I cannot find the official with whom I am supposed to sign a contract for the current year. It is as though we were just riding the waves.

But there must be no illusions. The shortage of funding automatically affects all production. The best personnel are leaving, young people are not coming, and there

is no possibility of carrying out certain kinds of work. There is a lowering of the general level of safety.

Understand me correctly. It is certainly also bad when they give no funding to an enterprise that produces tractors, tanks, or televisions. But if these plants close, no universal catastrophes will take place. If you hang a lock on "Mayak," then there will be a universal catastrophe. We cannot be closed, such is the specific nature of our production: uranium, plutonium, radioactive wastes—all of this must be controlled and guarded and certain precautionary measures must be taken. If "Mayak" is closed, then precisely a universal catastrophe will take place. Such are the realities and all of the powers that be must realize this. To possess the status of a nuclear power is a heavy and critical burden, especially in the present difficult situation. But we cannot avoid it.

My dream is that the state will soon define our interrelations. I am certain that it is still too early for Russia to write off nuclear weapons completely. There are processes under way in the near and the far abroad that are certainly no reason for optimism.

[SEGODNYA] Viktor Ilyich, when you visit our nuclear centers and nuclear power stations, you cannot cease being amazed: On what basis is the country's nuclear complex continuing to live? When you talk and look, it is apparent that everything should have fallen apart and stopped a long time ago. But no. Tell us the secret—How are you able to survive?

[Fetisov] Today our defense order makes up 42 percent [of our total business], whereas the commercial order is 58 percent. This means that we get most of our funds not from the state but earn them ourselves. We have organized the reprocessing of nuclear wastes. We are receiving spent nuclear fuel from Ukraine, the Baltic countries, Hungary, and Finland. Russia, Hungary, and Finland pay on time. Latvia is late in its payments. Still, this is one of the sources of income.

A second thing is the sale of radioactive isotopes abroad. We sell cobalt-60, iridium-192, cesium, and americium-beryllium sources to 13 countries of the world. This is very science-intensive and complex production. Today isotopes are finding more and more extensive applications in medicine, technology, and the food and light industries. In the last five years, we have gained an 18-19 percent share of the world market for isotopes. They know us and take us into account. We have good prospects. The sale of isotopes yields solid income. Here are the two whales that now support the combine. I would say that these are successful examples of conversion of military production.

[SEGODNYA] But what about the thesis that you are turning Russia into a radioactive dump?

[Fetisov] In 1993, France reprocessed more than 1,000 tonnes of radioactive wastes. Last year Great Britain put into operation a plant for the reprocessing of spent nuclear fuel with a capacity of 1,200 tonnes a year. In 1998, Japan intends to put into operation a plant for the reprocessing of fuel with a productivity of 800 tonnes a year.

You know that today in England it is impossible for a woman to walk down the street in a fox or mink coat: the "greens" will cause a stir that will be very disagreeable. They are even more attentive to ecology in Japan. They pay particularly close attention to everything that has to do with the atom: Hiroshima and Nagasaki left very painful memories. But the Japanese are building a plant for the reprocessing of wastes. You must agree that the ecological movement in these two countries is much more developed than it is here. But no one is protesting. Today our so-called ecological experts are mostly pursuing purely political objectives. They want to rise on the wave of criticism. And unfortunately these focuses are succeeding.

Here is a specific example. The construction of the Yuzhno-Uralskaya Nuclear Power Station in the oblast has been put on hold precisely because of the antinuclear wave that rose after Chernobyl. Today the oblast is experiencing a serious shortage of electric power. And as time goes on, the more that enterprises and specific people will have to pay for it. If they had completed construction of this nuclear power station, then our oblast would be fully supplied with electric power and they would be selling it to all who need it. Today they have finally understood what is going on but there is no more money either in the oblast or in Moscow to finish the construction.

The reprocessing of nuclear wastes is a good business. And as you see, no one intends to give it up. On the contrary, various countries are trying to assert themselves in this area. By the way, I think that France and Japan would be glad to take our wastes for reprocessing as long as they are paid for it. As always, we are prepared to relinquish all of our positions. It seems to me that in the 10th year of perestroika it is time for people, including ecologists, to get a little smarter, otherwise there truly will be nothing to eat. This is the economic side of the question.

Now about the technological side. We reprocess wastes using the most up-to-date technology, just as they do in the rest of the world. We vitrify them. That is, we turn them into a monolithic glasslike mass that we then

encase in a double metallic shell. They are transported in this form to a storage pit for burial.

By the way, we reprocess 130-150 tonnes of wastes a year. And we could handle a great deal more. And I will add that we would like to. Unfortunately, however, not everyone pays.

[SEGODNYA] Why do you accept fuel from Ukraine free of charge? We have a market economy.

[Fetisov] If we do not accept it, then the Rovno Nuclear Power Station, for example, will shut down. Can you imagine what this means for Ukraine? We hope that sooner or later they will come out of their crisis. Of course this question relates more to the political than to the economic sphere.

I will repeat that the nuclear complex is a quite specific branch of the economy. It has many special features. They must be understood. Any underestimation can lead to a Chernobyl.

[SEGODNYA] Viktor Ilyich, to speak about conversion, does it not seem to you that a mistake is being made? After all, isotopes and reprocessing are not a typical example. It seems to us that it is not at all a matter of economics, financing, and so on. A complex that is essentially intended for war cannot produce something on a massive scale that is intended for peace. The objectives, moral views, and ideology are too different. Work for war and work for peace are fundamentally different things. Is this not the reason for all of our failures with conversion? Is it possible that the military industrial complex should be demolished and the problem approached in some other way?

[Fetisov] Of course, there is a psychological incompatibility. When designers, who all of their lives created the most complex aerospace systems, are forced to make milk separators or lines for packing macaroni, what good can one expect? Our isotopes and radioactive wastes have grown organically from military production. There was no need to change our nature. Hence the result.

Probably precisely such a combination ought to be sought in the defense industry. By the way, we also actively participated in the conversion program—there was work on the rational alloying of silicon, on magnets, and on fiber-optic communication lines. And everything is up to world standards. But I think that the general economic situation affected the introduction of these innovations. The magnets turned out to be unneeded, the plants for the alloying of silicon were shut down, and foreigners furnished us with fiber optics. We have now built and are putting into operation—again in the scope

of conversion—a plant for the production of electric motors. We hope that they will sell.

You see that closed cities like ours have their problems. The defense order is being reduced and most likely will be reduced further. Naturally people are being dismissed. But our specialists have rare occupations and very high qualifications. Where can they go in a closed city? We have an extremely limited number of jobs. And whether we want to or not, we are simply forced to think about establishing new production systems and somehow gaining new markets.

As for total conversion, it is foolish to reduce it to the production of frying pans. This is not conversion but rather the destruction of the country's defense potential. It has long since been time to stop and think. What is needed should be preserved and what is not should be closed. And again I return to the thought that the state is obliged to define strategic policy with respect to the military industrial complex. But it has been playing hide and seek with us for 10 years. This should not be so in a nuclear complex. Since we do have nuclear weapons and nuclear power stations, we must bear full responsibility for them.

[SEGODNYA] The work of your combine is linked with the contamination of the river Techa, Lake Karachay, and parts of the territory of the East Urals. It has been said that the present generation of specialists working there has nothing to do with what has happened. And they are now unfairly accusing the combine of these ecological catastrophes. But should professionals not be responsible for mistakes made even by their predecessors? Otherwise what kind of continuity and traditions can one speak about?

[Fetisov] All of the negative consequences of the work of our combine are well known. And we are making every effort to eliminate them. We are using the money from the sale of isotopes and the reprocessing of fuel to fill in Lake Karachay. We understand that we, our children, and our grandchildren have to live here and therefore we are trying to do everything that is within our power.

As for a guilt complex for what was done by our predecessors.... It is foolish to judge only from today's point of view. Remember the time when "Mayak" was created. America had already dropped atomic bombs on Hiroshima and Nagasaki and the specialists faced the task of building our own nuclear weapons in the shortest time possible. Everything was done very quickly. Hardly anyone knew what radioactivity was or how to deal with it. And hardly anyone knew about the consequences. You understand that the discharge of radioactive wastes into the Techa was insignificant

in the face of the American nuclear threat. Such were the times. Could mistakes have been avoided? I do not know. And who can answer this question?

But of course we feel our responsibility for what happened. This is our cross and we are trying to bear it worthily. They are continually attacking us in the press on account of the Techa and Lake Karachay. Unfortunately, most of the accusations belong in the category of offensive inventions. But apparently this is a function of the general culture not only of those who write but also of the entire society. I think that sooner or later we will move away from altercations and toward a normal discussion. But apparently this takes time. Just as it took time, by the way, for our predecessors to understand what radiation is and how it affects man and nature. Unfortunately, there just was not any time then.

One other comment. The Techa, Lake Karachay, and Chernobyl changed the psychology not only of the society but above all of specialists. Paramount here today is the safety of our facilities and technologies. And any work is viewed above all from this point of view. We understand that we do not have the right professionally or morally to permit the mistakes to be repeated. They are too costly for all of us.

[SEGODNYA] And since the state is not paying attention to your needs, are you not tempted to pursue a completely independent policy? Judging by the existing potential and the work that has been done, the center is fully capable of surviving on its own.

[Fetisov] As strange as it may be, the combine is not striving for total and absolute independence. We are state people in terms of our education and attitude toward our work, and, if your wish, toward the environment. Only the state can be the owner of nuclear weapons. This is a fundamental law. And we will not violate it in any way.

Today we are experiencing confusing times. But ordinarily sooner or later any period in history comes to an end. And our professional duty as citizens is to preserve the integrity of what we have and to pass it on to those who will come after us. It is possible that they will have exactly opposite views on the problem of nuclear weapons. We are trying to do our work accordingly to our conscience, common sense, and education.

As for the concept of the state, state duty, state thinking, and state people.... I very much regret that at the present time these concepts have been devalued. But Russia was always strong in public people, who put their lives on the altar of the fatherland. The interests of the homeland and state were also above personal interests. I think that

people of precisely this mentality are capable of getting the country out of the crisis.

[SEGODNYA] And are you not longing for those days prior to perestroika, when centers like yours did not experience any problems and were, as they say, in power.

[Fetisov] I became director of "Mayak" in 1989. I did not have a chance to feel how it was in the time without problems. I sat in my armchair and immediately began to spin: conversion, ecology, debts, nonpayment, reductions, and so on. So it is difficult for me to compare.

Overall there were pluses and minuses then and now. For it has long been clear to professionals that such mountains of weapons are not needed. But we kept producing and producing. Still, we should have stopped sometime to grind the excesses. This reversal coincided with the present time. Our center really has nothing to fear, for we will not be without work. The specific nature of nuclear weapons is such that they can be dismantled only by those who assembled them. And they must not only be dismantled but also packed, protected, and placed in special depots that must still be built. This requires experienced people and money.

Those who said "demolish and not build" did not know the problems with nuclear weapons. Here "demolition" is also expensive and unfortunately it cannot be put off until tomorrow.

I have always been proud to have the chance to work in the most up-to-date production. I built the latest kinds of weapons that made it possible for the country to not have to fear for its security. Service to one's fatherland has always been honorable in every state. This is an eternal rather than a temporary value.

Regional Affairs

*Efficacy of Removing Local Organs From State Authority Viewed

954F2787A Nalchik KABARDINO-BALKARSKAYA
PRAVDA in Russian 13 Jul 95 p 1

[Article by Zaurbi Nakhushiev: "Personified Power Is Personified Responsibility"]

[FBIS Translated Text] The Russian state, as well as all of its subjects, have been moving along the path of reform for a rather long period of time. The transformation of Russia, undoubtedly, is impossible without the appropriate changes in the entire system of state power—along all its branches and levels. One of the basic aspects of the process of Russia's reorganization must become the creation of an integral

system of state, including also local, administration which most greatly corresponds to the Russian realities.

I would like to note the following: In view of the present-day realities, the isolation of organs of local self-government from the system of state power which has persistently been proposed in recent times cannot yield the anticipated results. After all, at entire set of difficult problems of an organizational-structural and financial character arises in this case. Moreover, the question arises: At what level—city, rayon, block—must local self-government be separated from state power? How will the questions associated with property, the budget, etc. be resolved?

References which the developers of this form of reorganization of local administration make to the experience of the European countries and the USA are incorrect, since the organs of local self-government are viewed outside the entire system of state power, as well as outside the corresponding social, political, economic and social-cultural conditions.

First of all, and this is the most important thing, in the countries which are cited as examples and which have highly developed democratic traditions, the very democratic system of organization and administration has grown up from local self-government, which is a mechanism for participation of all citizens in the process of management of the country. We should also remember that this development occurred over a period of several centuries. At the same time, certain traditions and attitudes were developed directly within the masses, and a certain mentality was formulated. Naturally, it is impossible to travel this entire path in Russia all at once. Moreover, in most of the countries of Europe the local organs of administration, being largely autonomous, are services of the central government. Although, of course, there are also examples of the opposite character.

The zemstvos, which are propagandized today as the only rational course, are also unacceptable for Kabardino-Balkariya, if only by virtue of the ethno-cultural conditions. Especially since the unification of the lower level of organization and administration is not mandatory. Back in 1993, the President of the Russian Federation, through a series of edicts, opened broad possibilities for independent determination of the form and structure, and in certain cases also of the powers and authorities of organs of local administration. And the Law of the Kabardino-Balkarskiy Republic adopted in 1991, "On Local Self-Government," with the appropriate updating, may even become the basis for legislative provision of the activity of organs of the current local self-government.

If we approach the topic of local organs of administration with purely political goals, as self-sufficient phenomena, there are more questions which arise than answers. For example, what principle should be taken as the guideline—the territorial or the settlement? If we choose the principle of settlement—the regional segment is discounted, which once again poses a number of problems. However, if the settlements form local organs of administration, then the rural administrations lose the land areas adjoining them.

Furthermore, we know that in the entire world the budgets of organs of local administration are based on taxes: On real estate, on property. In Russia these questions still have not been clearly defined. All other taxes fluctuate "from place to place."

Let us also take another part of the topic under discussion—the "right to self-government" proclaimed in the constitution. What if in a certain area the population deems it impossible or unnecessary to have self-government? What is the solution then?!

Today, it seems to us, the question is not one of isolating the organs of local administration from the system of state power or not. Much more pressing is the definition of the forms and methods which maximally involve the population in this very administration, which most fully and effectively provide for their socioeconomic and cultural needs. In this case, we simply must take into consideration the national and ethnocultural traditions. By the way, the *zemstvos* are foreign and unintelligible not only to the Kabardins and the Balkars. The Cossacks also gravitate toward entirely different forms and mechanisms of organization and administration.

In fact, the need for reforming the local organs of administration is obvious. But perhaps it makes sense to begin not with the destruction of the already existing system, but with its reorganization with consideration for the accumulated experience, with consideration for the age-old traditions of organization in each region. We would not like to see the creation of a new system of organs of local administration turn into a unique confrontation between the regional, in this case the republic, and the local authorities.

One other thing cannot be doubted. Isolation of the organs of local government will facilitate the continued decline in the authority of the local authorities. We are already encountering situations where citizens appeal directly to the president, to the government and to the parliament of the republic for resolution of various everyday questions. To some measure, such facts are explicable: The crisis conditions intensify the desire for group protection, solidarity, stability, and maintenance

of self-respect. However, the provision for everyday needs must be the result of the organization of citizens at the lowest level. After all, it is specifically here that the sense of presence of power and appropriate responsibility of persons who have been entrusted implementation of this power must begin. This responsibility is particularly strong in the countries where the organs of state power are subjects of public law from the bottom up, i.e., they may be brought to responsibility for resolution of the conflict between "state-citizen."

The Kabardins and the Balkars, as well as the Cossack brotherhood, have rather extensive experience in the organization of local organs of administration. Moreover, this power has necessarily been personified. There was also a unique territorial-administrative structure. Undoubtedly, to transfer this experience to current conditions without any changes, in its former form, is impossible. However, in re-organization of the system of local administration, a certain rational kernel may be extracted from it. Specifically, personified power is also personified responsibility. In this case, the implementation of state policy through a system of administrative institutions also presupposes responsibility from the bottom up. We may also utilize certain traditional forms of territorial arrangement at the local level, as well as certain structures based on voluntary principles, as for example the councils of elders.

The need for reforming the system of local administration, I believe, does not need to be proven today. Moreover, the existing standard base at the federative level grants much freedom in the choice of organizational forms, mechanisms of implementing administration, etc. There is an abundance of rich experience in the functioning of organs of local administration over the years of Soviet rule, and in the organization and administration of the traditional Kabardin and Balkar societies. The possibility of undertaking the appropriate work already exists today, naturally taking into consideration a number of basic principles.

Thus, the organs of local self-government have state status, i.e., they are state institutions with the corresponding powers, authorities and responsibilities. At the same time, they (the organs of local administration) must have an adequate budget for implementation of their administrative functions. For these purposes, we may at least partially utilize local taxes. The leadership in the organs of local administration must be exercised by representatives chosen by means of direct elections on the basis of universal electoral right by the residents of the given territory. Here, in my opinion, it is possible to have a flexible combination of electoral systems and even appointability to certain duties. Of course, such concepts as power, legitimacy, trust and effectiveness cannot be

filled with equal content in all regions. The task consists of seeing that the embodiment of these concepts brings maximal benefit to society in its economic, social and cultural development.

Sverdlovsk Oblast Election Campaign Begins

954F2761A Moscow *SEGODNYA* in Russian

5 Jul 95 p 3

[Article by Irina Vladykina, Yekaterinburg, under rubric "Preparations": "The First Candidates for Governor Have Been Registered in Sverdlovsk Oblast"]

[FBIS Translated Text] The Sverdlovsk Oblast electoral commission has begun registering the candidates for governor of Sverdlovsk Oblast. On 3 July the first candidate was registered — Valeriy Trushnikov, first deputy administration head of Sverdlovsk Oblast, who is running from the Harmony and Dignity public-political movement. A total of 32,000 signatures were collected in support of that candidate for governor. He was nominated by 113 groups of voters. On 4 July the oblast electoral commission issued a registration certificate to another candidate — Eduard Rossel, chairman of the Sverdlovsk Oblast Duma, who is running for governor from the Transformation of the Urals public movement. He was also supported by the Union of Pensioners and the Union of Urals Scientists. Yekaterinburg mayor Arkadiy Chernetskiy unexpectedly announced that he would not participate in the forthcoming election. However, he does not deny the possibility of his participating in the next one. Probably the mayor of Yekaterinburg, who occupies, according to the results of a public opinion poll, the third place after Eduard Rossel and Aleksey Strakhov, has decided to save his strength and achieve success four years from now.

In the opinion of the registered candidates for governor, the collecting of 25,000 signatures is no easy matter, and not everyone can achieve that. Fourteen persons have announced their desire to take part in the election. However, according to general opinion, no more than seven candidates will be registered. According to the existing statute, candidates for governor must leave their jobs in order to participate in the election campaign and must provide the commission with documents confirming the fact that they have been freed of executing their official duties for a period of three days during the election.

On 15 July there will be a drawing to determine the procedure for statements made by the candidates for the position of governor of Sverdlovsk Oblast, jointly with the Sverdlovsk State Television Broadcasting Company and OBLASTNAYA GAZETA. The candidates will be given 20 minutes each to make statements on

television, which will be paid for by the Sverdlovsk Oblast electoral commission. A total of 13 billion rubles has been allocated from the oblast budget to carry out the election to the position of governor of Sverdlovsk Oblast. According to Vladimir Priymak, chairman of the oblast electoral commission, the electoral commission already has one-fourth of that amount at its disposal.

Within the next few days the electoral commission intends to consider the question of registering a third candidate — Aleksey Strakhov, the Sverdlovsk Oblast administration head. A working group is completing the verification of the lists of signatures that have been submitted by him to the electoral commission. Thus it is already possible right now to confirm that the election marathon in Sverdlovsk Oblast has begun.

***'Greater Volga' Association To Issue Interregional Loans**

954E1153A Moscow *ROSSIYSKAYA GAZETA*

in Russian 30 Jun 95 p 15

[Article by Anna Kozyreva: "A Big Loan for 'Greater Volga'"]

[FBIS Translated Text] The territory of the "Greater Volga" Association includes two economic regions—Volga and Volgo-Vyatka—and this represents 10 republics and oblasts in Russia: Mordovia, Tatarstan, Chuvashia, and Astrakhan, Volgograd, Nizhegorod, Penza, Samara, Saratov, and Ulyanovsk oblasts.

In this territory, which makes up 3 percent of Russia, 23 million people, or 16 percent of the population, live. Members of the Association account for 16 percent of the national income. They produce 17 percent of the consumer goods, about 20 percent of the food, 90 percent of the passenger cars and trucks, and 40 percent of the aerospace equipment.

According to the data of the RF Ministry of Economics, the decline in production in five regions made up from 30 to 40 percent and in another five regions, from 20 to 25 percent. In Ulyanovsk and Astrakhan guberniyas the decline is less strong—about 15 percent. For comparison: On the average, in Russia the decline in production volumes made up 22.8 percent.

Whereas initially regions were united into an association in order to implement market reforms, today the tasks of the "Greater Volga" Association are not to loosen economic ties, to promote the most rapid introduction of economic federalism, to form financial and industrial groups, and to find distinctive growth points.

According to Konstantin Titov, president of the association and head of the administration of Samara Oblast,

the association proceeded from the fact that, first, the market does not know limits and, second, the bigger the market space, the more efficient the economy. However, the situation with the promotion of a commodity and with its sale turned out to be complex owing to high transport rates and the decline in the solvency of a number of enterprises. Therefore, at least within the framework of a large territory a coordinating body is simply necessary.

Furthermore, the budgets of every Federation component are quite limited and, therefore, regions experience a scarcity of resources to conduct a normal investment policy. But having unified funds, it is possible to achieve something.

One of the examples: Everyone needs city buses. Who produces them now? Only the Likinskiy Plant and the Pavlovskiy-on-Oka. However, can they supply all Russia? No.

Although every year the administration of any city in the Volga Region spends substantial budget funds on the purchase of city transport! Therefore, the association decided that it made sense to coordinate efforts and money and within the framework of investments or a prepayment to help organize the production of buses both in Tatarstan and in Saratov. Members of the association began to realize a special program for bus production. They have already begun the assembly of buses from outfitting foreign firms.

Commercial banks and financial investment companies have appeared in the association's territory recently. About 2,500 enterprises have changed the form of ownership. For example, the share of the nonstate sector in industrial production makes up more than 90 percent.

Economic interaction within the framework of the "Greater Volga" Association proceeds in four directions: industrial development, development of agriculture, power engineering, and ecology. How efficient is such work?

For example, on the recommendation of the association, in accordance with a directive of the RF Government, the status of a federal program was given to the developed ecological "Volga's Revival" Program.

The government let it be known that the proposals by the "Greater Volga" Association on tax legislation would be taken into account as early as 1996. In particular, it is a matter of abolishing fines for exceeding wage normatives and the special tax. It is also proposed to leave the value-added tax in oblasts as an incentive for the development of regional production.

Moreover, within the framework of the association regions intend to act according to a fully determined protectionist program, which the president explains as follows: "If someone wants to buy Western products, for example, in Holland or Denmark, let him take commercial credits. However, if someone decides to support his own commodity producer, we will give preferential credit. Incidentally, this is accepted all over the world. The money of one's own taxpayer is assigned for the development of one's own productive forces and the establishment of new work places in one's country."

The association is the cofounder of the "Greater Volga" Banking Union, a business information agency, the "Volga" international universal fair, and the "Region" Scientific-Technical Information Center.

Perhaps, the decision on the issue of an interregional loan can arouse the greatest interest.

"MMM," "Russkiy dom Selenga" [Russian House Selenga], and "Hoper-Invest" operated successfully both in the Volga Region and in the Volga-Vyatka Region. That is why governors believe that, nevertheless, the population has money. It is assumed that the profitability of shares will be no lower than in the Savings Bank. At the same time, in the opinion of the project's authors, investors will receive a full guarantee of the safety of investments. The administration intends to achieve a state status for the loan.

Loan bonds can be attractive for domestic pension funds. After all, securities ensure part of their income. Many insurance companies have already expressed the desire to also buy bonds. Western investors will not keep aloof. It is profitable to become an owner of shares and of mutual venture funds established for investing in Russia's industry. After all, at the comparable level of profitability regarding direct investing the risk of investments, obviously, is lower.

Vladimir Yefremov, deputy governor of Nizhegorod Oblast and director of the Department of Industry, formulated the basic idea of the loan: "Purchasing the bonds of the interregional loan, any resident will know that with his money he helps the creation of work places in the territory of the 'Greater Volga' Association, helps solve the problem of nonpayments, and develops his own products, of which he will be able to be proud later."

Are all regions able to conduct such a loan? There is already experience in the conduct of regional loans in Saratov, Samara, Astrakhan, and Nizhegorod oblasts. However, the effect of a loan in one oblast, naturally, is inferior to the possible effect from the interregional loan. Members of the association will be able to direct

financial flows specifically to the sore spots of economic restructuring. In Konstantin Titov's opinion, the regions that are not subsidized will be able to act as guarantors of such a big loan.

A certain "cartel" agreement among the regions of the Volga Area will become the prologue to the loan. The emission of the first issue will total about 100 billion rubles. It will be backed by the property of motor vehicle plants. In all, bonds amounting to 3 trillion rubles are to be floated. Emission will be carried out in accordance with certain quotas assigned to every participant and each side will guarantee the acceptance of bonds—both those issued in its territory and in the territory of all participants in the loan. The question of the advisability of the issue of bonds with different repayment dates is being studied.

The income from the loan will be divided among regions in proportion to quotes.

For now the Volgo-Kama Bank for Reconstruction and Development has been selected as an interregional bank. The supervisory council will be established from representatives of republics and oblasts—loan participants. Specific loan provisions will be determined finally after consultations in federal economic departments in August-September.

***Privatization of Regional Enterprises Growing**

954E1169A Moscow KOMMERSANT DAILY
in Russian 28 Jun 95 p 10

[Article by Oksana Lysak: "Summer — The Time of Portfolio Investors"]

[FBIS Translated Text] The past week brought several welcome announcements for portfolio investors. Moscow will soon see the sale at auction of a rather large number of shares in RAO "YeES Rossii" on very favorable terms. The Property Management Committee of Taymyr Autonomous Okrug has announced that it will auction off shares in RAO "Norilskiy nikel," and shares in AO "Orenburgneft" will be sold in Tyumen Oblast.

However, manufacturing investors will not be left out, either. For example, an auction in Kirov Oblast will offer shares in the very large Vyatich Brewery. As for the traditional topic of these overviews, i.e. bankruptcies, we also report on the first trial of a case of insolvency on the part of a privatized enterprise in Chuvashia's court of arbitration.

Large Block of RAO "YeES" Shares Offered at Auction

As reported by the Moscow City Property Fund last week, a public cash auction will be held on 18 July 1995 to sell shares in RAO "YeES Rossii" for rubles. It should be noted that over the past six months the Moscow Property Fund has conducted several auctions in an effort to sell shares in Russia's largest electric power company. However, it appears that the upcoming auction will be of particular interest to investors.

To be auctioned are 1.33 percent of the company's authorized capital — the first time that the company has offered such a large number of shares at a cash auction. The shares are being offered in 14 blocks ranging in size from 0.01 percent to 0.53 percent of authorized capital.

The most interesting thing is that the starting price of the shares has been set quite low, at just R30,000 [rubles], even though their current price is approximately R45,000. Bear in mind that under law the announcement that an auction is to be held must be published no later than 30 days prior to the last date applications to participate in the auction will be accepted. This announcement must contain a starting price for the shares that cannot subsequently be changed. However, even at the time the announcement was being prepared the market price of RAO "YeES" securities was slightly below R40,000.

Perhaps in setting a low starting price the property fund was assuming that by 18 July (the date of the auction) the value of the company's shares would have gone down again. However, over the past month the value of RAO "YeES" shares has actually risen steadily, from R32,000 to R45,000. Furthermore, this upward trend is likely to last for a fairly long time — the market overall is currently on the upswing, a result of greater activity by Western investors. KOMMERSANT DAILY experts believe that there is a possibility of serious competition between investors and thus the chance that the sale price of the shares could substantially exceed the initial asking price. Incidentally, to some extent such a low starting price is justified — the sale of such a large number of shares at one time could have a negative effect on their market position, because investors' solvent demand could be satisfied by a significantly smaller number of securities.

The First Bankruptcy in Chuvashia...

Chuvashia's Supreme Court of Arbitration has heard its first bankruptcy cases. The regional agency of the Federal Bankruptcy Administration filed suit alleging insolvency on the part of AO "Shveynaya fabrika." The court imposed external management on the enterprise

and placed a moratorium on its debts for one-and-a-half years. The amount owed by the company to the Chuvash branch of the Russian Pension Fund alone totals R400 million, which is only R80 million less than its total fixed stock.

The company's employees have not been paid since October 1994. In the opinion of representatives of the company's management, the main reason for its bankruptcy was excessively high interest rates on loans the company was forced to take out to increase its operating capital. However, they also stated that the factory has a chance at refinancing its operations and has found suppliers who have agreed to provide raw materials on credit, as well as solvent buyers for the finished product.

...and the Thirtieth in Perm Oblast

A commission of the Perm Regional Agency for Insolvency Matters (Bankruptcy) has found the Krasnokamsk Combined Fodder Plant insolvent. At the present time the enterprise's debts total approximately R7.0 billion. Of that amount, R4.5 billion are owed to the Permkhleboproduct Association for grain deliveries.

In view of this the decision was made to implement forced privatization of the enterprise. The agency has appointed a new plant manager, who has been instructed to draw up a privatization plan. It is expected that employees of the enterprise will get 25 percent of Type A preferred shares. The remaining securities will most likely be sold to subcontractor firms.

So far the regional agency has declared 29 other enterprises in the oblast insolvent. Among these are Gubakha Biochemical Plant, Osa Timber Farm, Kizelugol Association and Shumikhinskiy Mining.

Major Brewery for Sale

Last week the Kirov Oblast Property Fund announced that it will conduct an investment competition to find a buyer for a block of shares in the Vyatich Brewery. Its authorized capital totals R22.5 million (at 1 July 1992 prices), and 24 percent of that authorized capital will be offered at auction (approximately 33 percent of its voting shares, as the enterprise was converted into a shareholder-owned company using the first benefits option).

The enterprise is a major producer of beer and non-alcoholic beverages. The book value of its capital assets as of 1 April 1995 was in excess of R4 billion. The asking price for the block of shares is slightly more than R100 million, and the amount of investment required is R2 billion over a two-year period.

KOMMERSANT DAILY experts note that this facility should be quite attractive to investors. The enterprise plays an important role in supplying beer and non-alcoholic beverages in its region, and its products enjoy steady demand among virtually every segment of the population. The initial amount of investment is not very large, and in the brewing industry return on investment occurs quickly — i.e. it is actually possible that the final portions of the required investment could be made using profits from initial investments.

As for probable participants in the competition, KOMMERSANT DAILY observers single out the Alfa-Kapital privately-held stock company, which already owns stock in a large number of Russian breweries. The beer industry is also a traditional focus of interest by Western investors. Shares in many enterprises in this industry in Russia belong to foreigners. For example, shares in St. Petersburg's Stepan Razin Brewery are held by the Holsten concern, and shares in the Krasnaya Bavariya Brewery have been purchased by the Sasmson Company.

***Criticism of Tax Deferrals for Stavropol Kray Addressed**

954E1160A Moscow KOMMERSANT DAILY
in Russian 24 Jun 95 p 2

[Article by Viktor Ivanov under the rubric "President's Economic Policy": "Tax Benefits for Regions Generate Disputes"]

[FBIS Translated Text] The president's edict "On Conducting an Experiment in Taxation of Enterprises of the Sphere of Material Production in Stavropol Kray" evoked an extremely noteworthy discussion in the Russian organs of power. Its essence is simple: Is it possible to grant special taxation conditions to individual Russian regions? The opponents of the edict were not only members of parliament, who intend to protest it through the Constitutional Court, but also specialists of the Ministry of Finance, who consider the introduction of special tax conditions for individual territories to be inadmissible in principle. But upon closer consideration it turns out that tax benefits for regions are the most convenient means of pursuing a tough financial policy, and neither the president nor the government is likely to want to reject them.

Indeed, the edict does look extremely radical. As an experiment, all new enterprises created during 1995-2000 on the territory of Stavropol Kray will be exempted from profit tax, which is deducted into the federal budget at a rate of 22 percent. To justify such a radical measure, the edict points out that new enterprises will be able to

use the funds saved on taxes to expand production; additionally, in any case preferential tax conditions stimulate an influx of investments into the region. As always in such cases, it is assumed that the temporary tax benefits will ultimately lead to growth of production and, correspondingly, to an increase in the amount of taxes collected.

From the very beginning it was clear that, in spite of any justifications, the edict would evoke criticism. Members of parliament, naturally, regarded it as another attempt on the part of the executive power to violate the privilege of the legislators to establish tax conditions in Russia. And therefore they immediately had the idea of protesting the intervention in their domain through the Constitutional Court.

The Ministry of Finance was against the edict for other reasons. Without disputing the fact that tax benefits could stimulate production in Stavropol Kray, ministry specialists thought that the edict violated the principle of unity of Russia's tax system: When benefits are introduced for certain regions, the tax burden shifts to others. As a result, one could expect that the other regions, not wanting to end up at a disadvantage and just as interested in increasing production, would immediately demand similar benefits for themselves. Here are the words of the deputy chief of the Consolidated Tax Reform Division of the Department of Tax Reforms of the Ministry of Finance, Svetlana Kholevaya: "The raising of the question of the state's basic ability to make similar decisions for all taxpayers in order to provide for equality of economic conditions for business is predictable." The position is quite understandable—ultimately the Ministry of Finance is interested in stable and previously planned budget revenues and not at all in the excitement over the fact that taxes will suddenly stop coming in from certain regions (even if these regions promise that in the future, as production increases, the current budget losses will be more than compensated for). This is why the principle of the unity of the tax system is so actively defended; the finance ministries operate the same way in other countries as well.

Incidentally, from the standpoint of general economic policy, nothing is that simple. The fact is that even completely refraining from benefits for the regions will not solve the problems of the federal budget—tax revenues under conditions of general ineffectiveness of production will still not be sufficient to cover costs. A more logical measure of a tough financial policy would be to reduce expenditures on direct budget subsidies to regions and refrain from granting them centralized credit, the more so since this is what international financial organizations are demanding. Under these conditions one might expect an expansion of tax benefits

for regions—the center still must demonstrate concern for them somehow.

Of course, this will require intricate maneuvering—for example, there is every reason to assume that Stavropol Kray received benefits because it was dissatisfied with the outflow of investments into neighboring Ingushetia, which had been granted similar benefits previously (it is significant that Ingushetia is now insisting on extending them). But in any case, under the conditions of the economic crisis it is more advantageous for the government to do without some of the tax revenues, suggesting that the regions themselves stimulate production and earn money, than to spend the already extremely limited resources on direct support for them.

***Rostov Oblast Head of Russia Is Our Home on Regional Situation**

954E1160B Moscow ROSSIYSKAYA GAZETA
in Russian 7 Jul 95 p 4

[Comments by Aleksandr Bedrik, leader of the Rostov organization of the Russia Is Our Home sociopolitical movement, reported by Sergey Ptchikin; place and date not given: "'A Party of Power? No! A Party of Professionals,' So Thinks the Leader of the Rostov Organization of the Russia Is Our Home Sociopolitical Movement, Aleksandr Bedrik"]

[FBIS Translated Text] **Aleksandr Ivanovich Bedrik is the deputy chief of the administration of Rostov Oblast for social problems. At the constituent conference held in Rostov-on-Don, he was elected chairman of the council of the Rostov organization of the all-Russian sociopolitical movement Russia Is Our Home by an absolute majority.**

We did not even expect that the constituent conference would evoke such avid interest in the oblast, says Aleksandr Ivanovich. In practically all labor collectives there were meetings to nominate candidates, and not formally, for appearances, but very actively, with the election of the most active and respected people.

We elected 700 delegates and invited almost 1,500 people. There was a heated but constructive discussion by those who are actually interested in stable development of economic reforms, strengthening of the Russian state, the establishment of principles of civil peace and harmony, and the implementation of an active social policy.

Unfortunately, they have managed to create around Our Home the aura of the "nomenklatura party," "the party of power." It is not surprising that among the delegates there were practically no workers or peasants, who have never had any special sympathy for pencil pushers and "bureaucrats." In my view, the erroneous tendency to

narrow the movement's social base just to the level of "apparatchiks," to the level of only the intelligentsia, will not lead to anything good. This sociopolitical movement is just being formed in Rostov Oblast, but I am convinced that it will become truly widespread and public since we are planning to rely mainly on professionals. We see our support in those compatriots who are able not only and not even so much to speak eloquently at election rallies as to work eloquently and in such a way that the result of their labor is appreciable even today.

The political trend that came to be called "democratic" turned out to be largely compromised of people with superficial thinking who did not want or simply were unable to work in the interests of the very reforms about which they spoke so ardently.

In places where the reforms are being delayed, objective difficulties are frequently blamed. Yes, there have been considerable difficulties, but still it is well known that people who want to work do work, and those who do not want to work look for justification wherever they can, as long as it is not within themselves.

Take the social sphere. As of today it is one of the most complex and explosive fears in social life, since it depends completely on the budget and on the competence of that same apparatus which is most frequently upbraided.

We are encountering the same difficulties as the other regions of Russia, but we have been able to find a possibility of largely avoiding the growth of social tension precisely through relying on professionals. Moreover, in Rostov Oblast during the past three years there has been an unprecedented boom in an area that is closest to me, a physician by education—public health.

Back in 1991 a program was drawn up for the development of public health in our region. We did not simply paint a pretty picture but carefully considered each step, and each ruble we planned to spend had guaranteed backing. We looked for and found absolutely nontraditional ways, but the main thing, I repeat once again, is that we enlisted in the work professionals who are capable both of thinking in nontraditional ways and working 20 hours a day.

The result was that all the main clinics in the oblast were supplied with new equipment, and the oblast children's and clinical hospitals and two diagnostic centers are operating wonderfully in Rostov-on-Don.

Quite recently we built a multiple-specialization children's clinic in Taganrog. We had a real revolution in the treatment of diseases of the blood in children, and today we save 95 percent of children who come in with

a diagnosis of malignant diseases of the blood, and after all, quite recently we were losing 95 percent of our patients....

We have not ignored culture either. The city of Shakhty recently opened the doors of a drama theater and the Don public library was finally opened in Rostov-on-Don. The press is filled with articles about the impoverished position of libraries throughout Russia, but we found a way to supply the library with equipment according to the best world standards, and it has computer communications with all the largest libraries of the world.

Naturally, problems of social support and social protection have not been fully resolved. Today we are encountering new difficulties which, in turn, follow not so much from some evil intent as from Moscow's desire to shift everything to the shoulders of the regions.

At the beginning of the year there was tension in the mining regions of the oblast. Why? Because the federal authorities did not fully adhere to the tariff agreement they signed. A respected delegation came from Moscow, the leaders of which cooled off passions by giving the miners many compliments for their active support of the reform policy, they provided for a certain amount of payment, and they promised to resolve all the disputed issues. Since that time the miners have not received a single ruble out of the federal budget, as was promised, and we have not even received payment for all that is due to us. Everything will allegedly be compensated for later. Later....but today we are forced to gather crumbs everywhere we can in order to pay the wages to the miners. And immediately there began to be interruptions in the payment of pensions, delays in the wages for all budget-financed workers, and other financial disorders. Who stands to gain from this if we take into account that the Russia Is Our Home movement is formed mainly from those who receive their wages from the regional budget and not from the federal one?

Nonetheless, in the near future we will begin to seriously prepare for the election campaign. I personally see the communists as our main competitors in the struggle for deputy positions. Nor can we forget about the Liberal Democratic Party of Russia, whose leaders are extremely active in our oblast. A great deal will depend on the position of the Cossacks.

The doors of our movement will be open to all to whom the fate of the fatherland is not a matter of indifference and who are prepared to actually build our common home—Russia.

***MVD Booklet on 'Criminal' Chechen Regime Assailed**

954Q0251A Moscow IZVESTIYA in Russian
12 Jul 95 p 5

[Article by Irina Dementyeva, IZVESTIYA correspondent: "The Book as a Poisonous Substance"]

[FBIS Translated Text] In color, the cover is very attractive. The snarling face of a wolf, against the orange background, is repeated in the snarling face of a hitman who is aiming a submachine gun at us — have you caught the allegory? Moscow lawyer A. M. Khamzayev bought the book at a hawkers' stand in the subway, but I could not find one there. People say that the entire printing run went to the Caucasus, to the army.

The booklet, "Kriminalnyy Rezhim" [Criminal Regime] was published by the Kodeks Publishing House — the united editorial office of RF MVD.

I asked Khamzayev if I could borrow his copy for a few days, and we agreed that we would exchange our impressions afterwards. Needless to say, I returned it with a large amount of embarrassment. Among the "facts, documents, and testimony" announced in the subtitle, there are few documents. What predominates is testimony that has been selected on the basis of just one attribute: testimony that confirms that, since time immemorial, the Chechens have been robbing, torturing, and killing Russians, that "they do not have any respect for any kind of culture," that "Chechens have an inborn pathological hatred of the Russian people and they cannot live in a human way alongside of us, and, moreover, do not want to," that "it is impossible to live with animals like this," etc. "Monsters," "riffraff," "local thugs," "ruthless packs of wolves" — expressions like this are abundantly sprinkled over the pages of the "documents." A citizen of Russia, Russian Honored Jurist Khamzayev, who worked for many years in the General Procuracy and as a Russian lawyer and who provides legal assistance to people irrespective of their nationality, was himself born in Chechnya — in Urus-Martan. What did he feel as he read that entire misanthropic gibberish about his people?

In the section "From Citizens' Letters," the very first three letters look somewhat familiar to me. Two are not signed by anyone; one is signed "Female neighbor." The neighbor discussion all kinds of horrors in a not very coherent manner. No indication of any specific village or any names of inhabitants are given, but the topic of discussion, undoubtedly, is the well-known events of spring of 1991 in the Cossack village of Troitskaya, which events ended with a fight not between the Chechens, incidentally, but between the Ingush and

the Russians, and with a pogrom in the village. The terrible events, during which five Russians and three Ingush were killed, were studied thoroughly at that time by the procuracy. As much as the leaders of the Cossack movement that was developing wanted to inflate sharply the everyday episode in which both sides were guilty, but which, nevertheless the Cossacks had begun, they never succeeded at that time in bringing this to the scale of a "genocide of the Russian people." In addition, the tragic confrontation occurred almost a half-year prior to the victory of the Dudayev regime and his election as president. I assume that the authors and editors of the booklet must have been well aware of all of this.

Yes, many people in the republic did not like the authority that was established by Dudayev, or Dudayev himself, but that does not make it unnecessary to be fastidious in choosing the means of waging the struggle.

There is one more "recognizable" fact. It has become a platitude, and has been cited by many people in their speeches and interviews: S. Stepashin, former head of the FSB [Federal Security Service]; E. Pain, political expert from the president's entourage; and many others: Dudayev fired cannons at a peaceful demonstration in Grozny on 4 June 1993. In the booklet that episode and the number of persons killed — 58 — are given with a reference to one of Chechnya's political figures — Salambek Khadzhiyev. It is he who was supposed to refute it, if only because he himself had disbanded that rally that lasted several days at Teatralnaya Ploshchad, in order to avoid any victims. Yes, Dudayev had fired at that time. On the night between 4 and 5 June, on his order, the building where the opposition's city meeting was being held was shelled. Located in that building were approximately 60 young members of the municipal police, among whom there were victims. (I had had the occasion to write about that, and in rather sharp form.) But if even Khadzhiyev is used in this form, then in this "collection of documents" one should not even speak of any lack of prejudice or any tendency to follow the truth to even the slightest degree. Incidentally, after the tanks and that blood, it is strange to remind people about any rules.

A large amount of the materials used in "Kriminalnyy Rezhim" is anonymous, or has a rubric such as "from an intelligence report," "materials from radio intercept," "or "from operational information," and bears noticeable traces of the editor's efforts. The imagination of the author or authors suggests to them stories about heads that were chopped off, stomachs ripped open, castrated or scalped men, and raped women and children. It is senseless to discuss these topics, since the names of the victims or the witnesses, or the doctors' findings, are usually absent. But there are a rather large number

of readers who believe the printed word. Propaganda specialists in Germany during the war, when summing up their experience, remarked that the cruder and more improbable the lie, the more it is believed.

Items reprinted from newspapers, however, do contain information that has been broadly disseminated, and therefore has already been accepted by many people as being reliable. That information includes the already mentioned persecution — at the official level — of Russians in Chechnya, and the "Chechen letters of advice."

The thing that I would like least to rely upon is personal impressions or even doubts. Thanks to Khamzayev, he directed my attention to the statements made in PRAVDA, 1 July (No. 100), by Sergey Popov, chairman of the Committee for Nationality Affairs, of the Stavropol Kray administration. He, for example, feels that "no more than one-sixth of the population in the Russian community remains in Chechnya." "But I would not assert," Popov says, "that a clear-cut policy of genocide with respect specifically to the Russian population was carried out in Chechnya." In his opinion, there was no dictatorship either. "The robberies and the violence were constant also with respect to the Chechens and Ingush, and those who enriched themselves."

Yes, Dudayev's entourage included a lot of crooks. Throughout Russia and throughout the CIS, people in the entourage of the authorities steal. It is possible that the falsified letters of advice are actually the invention of Chechen crooks. However, they got their name because the Chechen militia was the first to take alarm. Subsequently they spread across Russia, and for some reason the Central Bank was unable to differentiate between the falsified payments and genuine ones. And, for some reason, among the approximately 2000 criminal cases that were initiated in this regard, not a single one was brought to court. And also, among the persons involved in the cases dealing with the "Chechen letters of advice," the percentage of Chechens is not higher than the percentage among other peoples of Russia. The tremendous amounts of money that were obtained from the air, their disappearance without a trace, Central Bank's carelessness, and the impotence of the entire gigantic law-enforcement system force one to assume that nothing here could have been done without the participation of a state that had carried out uncontrolled emission in this manner.

The "Chechen letters of advice" possibly are fighting in Chechnya, but on whose side?

The editors of the booklet do not forget either to glance into history, exclusively in order to confirm that "the Chechens, crossing over to the side of the enemies of Russia, annihilated the Russians, including the Cossacks, during the times that were so difficult for

Russia," and that "the scale of those crimes against the Russian nation is great."

Khamzayev, who has a rather good knowledge of Russian history and whose grandfather and father were officers in the Russian Army, is perplexed: in the Russo-Turkish campaign in the late nineteenth century, Chechens participated, but in small number and only on the side of the Russian Army. It was not the Chechens who began the civil war and the process to destroy the Cossacks, but, rather, the Cossacks themselves who were fighting, some on the side of the Whites, and others on the side of the Reds. As for the Great Patriotic War, the percentage of Chechen traitors was considerably lower than among Ukrainians and Russians, and in particular among the Cossacks, but of course the group of Cossacks as a whole should not be blamed for that. A publication by the law-enforcement agencies — as though there were no union Declaration on Repressed Nations, or any "Law on the Rehabilitation of Repressed Nations" — without batting an eyelid quotes the latest in a series of Cossack messages: "The peoples of world remember who fought against the fascists in 1941-1945 and who voluntarily joined their camp. And it is also unknown whether the interests of the Chechen people are defended by D. Dudayev and those in his entourage in the Chechen Republic, or those of some other influential 'boss' behind a knoll."

Attentive reading leaves no doubt — the main goal to which the authors of the booklet are striving is not the Chechen nation, although they make a scarecrow out of the Chechens for all of Russia, and it is not even Dzhokhar Dudayev and his regime. They are aiming at the forces with a "democratic orientation" (that is precisely the fastidious name that the MVD gives to the forces which in 1991 took an oath, together with the president of Russia, who continues to assure the world of his democratic orientation). They are aiming at the rights and freedoms that hinder the establishment in Russia of a regime of force, a regime in which, as previously, there will be no place for "a commotion about human rights."

Lawyer Khamzayev, who himself is not devoid of literary talent, speaks bitterly and sarcastically about the rebirth of literature and about the moral collapse that allows the printing of this kind of booklet. I do not know whether this is a consolation, but I can object that we are not talking about literature or about journalism. We are dealing with a weapon of war which is exactly the same as poisonous substances used in combat. In a civil war there are no rules. A weapon like this is used to equip the soldiers and to poison the population. As in the case of using poisonous substances, in order to protect oneself it is necessary to carry out decontamination measures, and then to wash oneself carefully with soap.

Kazakhstan

*International Consortium To Manage Metallurgy Combine

954F2713A Moscow SEGODNYA in Russian
27 Jun 95 p 7

[Article by Natalya Gotova: "Karmet's Controlling Company Has Changed: The Eisenberg Group Has Pledged That It Will Invest \$1 Billion in the Enterprise"]

[FBIS Translated Text] **Karmet's planned capacity is 5.1 million tons of cast iron, 6.3 million tons of steel, and 4.7 million tons of rolled metal a year. In recent years the volume of production at the enterprise dropped to almost one-fifth. The combine employs 35,000 workers.**

The process of dividing the spheres of influence in one of the key branches of Kazakhstan's national economy — metallurgy — has apparently passed the point of apogee. Last week there was a revelation of the results of the prolonged struggle between two influential consortiums for the right to manage Kazakhstan's very large enterprise — the Karaganda Metallurgical Combine [Karmet] (in the city of Temirtau).

On 15 June Vitaliy Mette, vice-premier of the Kazakhstan government, signed a decree transferring Karmet to the control of a consortium headed by United Steel Management (daughter company of the American United Steel Corporation, which occupies sixth place in the work in steel production). Thus, the previous victor in the tender for control of the combine — the Voest Alpine-Kazakhstan SP [joint venture] (founders: the Kazakhstan Butya company; Voest Alpine Intertrading, a subdivision of the Austrian Voest Alpine corporation; and the Canadian Hatch consulting company) proved to be outside the gates of the metallurgical giant.

The Eisenberg Group: A Big Voyage for a Big Ship

The companies that got the opportunity to control the combine also included the local Kazinvestkonsalting [Kazakhstan Investment Consulting] and Universal Supply, an offshore company of Israeli financial magnate Mr. Eisenberg which can be defined as a project coordinator. According to unofficial information, a consortium support group is made up of the Swiss Nordex company and several other structures that are known for their high activity rate in the Russian steel market.

On the same day the republic's Goskomimushchestvo [State Committee on the Administration of State Property] concluded with the consortium contract No. 828, which stipulates the pledge by the controlling company, by the end of the year, to make settlement with Karmet's direct and indirect debts to the budget, and within 2.5 years to pay off completely the combine's indebtedness, which exceeds \$286 million. In addition, the new trustees must execute Karmet's investment program, which is estimated at \$1 billion, and finance the social sphere of the city-forming enterprise.

The program for remodeling the combine includes a plan for installing technological equipment for the continuous pouring of steel (\$600 million) and packing of the finished output, and the construction of a coke-gas cleaning shop (approximately \$190 million, including construction-installation operations). The demands placed on United Steel Management are very large, and therefore, unlike the contract with the former controlling company, Voest Alpine-Kazakhstan, the control period is not five years, but ten.

At the combine a SEGODNYA correspondent was told that the size of the remuneration for the management is defined at 1.5 percent of the quarterly profit. However, the Kazakhstan press, quoting Bulat Abilov, a Butya company manager, gives other information: the contract allegedly indicates that during the first two years the Eisenberg Group will receive a bonus of 1.5 percent of the total income for the quarter, but no more than \$12 million a year, and subsequently 5 percent of the net profit for the quarter, but no less than \$10 million a year.

According to a report issued by the combine's press service, a payment schedule has already been drawn up, in accordance with which, within one month, the controlling company will transfer \$40 million to the combine. The Eisenberg Group is already preparing to commit its first good deed, by paying the Karmet workers the wages that have been overdue for two months. A total of \$7 million will be expended for this purpose.

The Concerns of the Forthcoming Guardian Have Practically Stopped the Combine

The Voest Alpine-Kazakhstan SP has proven to be "caliph for an hour" having remained in control of Karmet for slightly more than two weeks, from 25 May through 8 June. According to the combine leadership, during such a brief period of time the company succeeded in causing the enterprises damages in the amount of hundreds of millions of *tenge*. Upon coming into

power, the SP immediately grabbed onto the sales markets, forgetting to supplement the working assets of the enterprise under its guardianship. As Vitaliy Mette and Garri Shtoyk, minister of trade and industry of the Kazakhstan government, reported at the press conference, during the period of its control the company shipped to Voest Alpine and Butya-Impex finished output valued at \$16 million (according to the Karmet board of directors, \$8.5 million). Moreover, the metal was sold without prepayment. Learning that the control governing the control did not stipulate any guarantees for the returning of debts to foreign companies, the combine's creditors were thrown into panic.

In late May, Mr. Khairov, general director of the Kazakhstan Sauda State Foreign-Trade Company, sent the republic government a letter requesting the settlement of the questions of paying off the indebtedness to the companies with which Kazakhstan Sauda, as a special exporter representing Karmet in the foreign market, had concluded contracts. Since the foreign companies had been working with the steel producer in accordance with a scheme for outstripping deliveries of raw materials, after Voest Alpine-Kazakhstan took over control, more than \$22 million was left hanging in the air. As a result of the fact that barter shipments of output in exchange for raw materials and components were interrupted, the shipments of iron-ore concentrate and coal to the combine practically ceased. As a result, the coke battery at Karmet was practically destroyed and there arose a serious threat that the enterprise would shut down. In the final analysis, to the great satisfaction of Karmet's executive board, the republic's Goskomimushchestvo canceled the management contract with the Voest Alpine-Kazakhstan joint venture, which was not supported by a governmental decree, inasmuch as the company had not coped with the obligations imposed on it.

Dissatisfied with this development of events, Bulat Abilov held a press conference, explaining that the Austrian bankers had refused to grant a guarantee in the amount of \$40 million without the results of a Karmet audit making it possible to determine the real degree of financial risk. It would take a rather long time to audit the enterprise's accounting office, because Butya asserts that approximately 90 percent of the barter operations bypassed the combine's current account, and that reduces the enterprise's taxable base. (Incidentally, this practice is used by all the Russian enterprises carried in the card index which are incapable of supplementing their cash flow, but are capable only of barely surviving.) Mr. Abilov informed the public about his intentions to dispute the government's decision concerning the unilateral cancellation of the management contract at international arbitration agencies.

History's moral: "Don't open your mouth if you cannot swallow"

All things considered, the fiasco of the Voest Alpine-Kazakhstan SP was influenced by the lack of professionalism on the part of the unsuccessful controlling company. The joint venture was created on the initiative of the Butya company, which does not have any special experience in metallurgical trading. That company engages in the trade of consumer goods, and it has a network of stores in Kazakhstan. According to SEGODNYA information, company head Bulat Abilov is an extremely well-known leader of the New Generation political movement, and has close ties with the influential Babek republic foundation. The overestimated hope of contacts in the political sphere provoked the manifestation of excessive independence in steel business.

It can be assumed that Butya did not want to enlist the support of the major traders, hoping in this way to save the profits from the management of Karmet. Possibly, the Voest Alpine trade subdivision agreed to become a partner of those stiff conditions, proposing in turn contracts that definitely were not the most advantageous ones for the combine. It is surprising how the controlling company risked stopping the shipment of metal against the raw-materials contracts, knowing that the traders who were rejected by it were in practically complete control of the basic volumes of shipments from the traditional suppliers of raw materials for the metallurgical combine. In addition, something that evokes a large amount of doubt is Butya's ability to correct in any real way the economy of the "Kazakhstan Magnitka."

It should be noted that Karmet has hanging over it pledges for paying off \$180 million for the construction of the shop for capturing coke gases, which was offered by Japanese companies against the republic's state guarantees. The Fuji Bank has already sent Karmet the 15-percent initial payment for purchasing equipment from the NKK company.

It is difficult to say whether United Steel Management will succeed in carrying out the investments of billions of currency, but a major advantage of this consortium is the presence of professional traders with tremendous amounts of commodity and financial turnover. At least it is obvious that the consortium will easily cope with the first stage of the stabilization of Karmet's economy, by increasing the workload placed on the capacities. The conditionally variable expenses at the combine will drop and, as a result, the production costs will decrease.

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